

*Business Ethics, Moral  
and Environmental  
Issues*

*At the end of this lesson, students will be able to:*

- Identify how ethics can affect a business
- Identify and clarify the role of a stakeholder and their importance in (and to) a business
- Clarify solutions used by business and government to resolve ethical dilemmas

# *Social responsibility*

- The business philosophy that emphasises that business should behave as good citizens
- They should consider the effects of their activities on society as a whole on the stakeholders

# *Stakeholders*

- Recap Quick Fire:
  1. Who and what are stakeholders?
  2. Identify 5 stakeholders of a business?

# *Who are stakeholders?*



# Stakeholders

A business social Responsibilities to stakeholder groups:

- **Shareholders**  
Generate profits and pay dividends
- **Customers**  
provide good quality products at reasonable prices.  
Safety, honesty, decency and truthfulness
- **Employees**  
health and safety at work, security, fair pay
- **Suppliers**  
pay on time, pay fair rates  
for the work done, provide element of security

# *Stakeholders*

- **Local Community**  
provide employment, safe working environment, minimise pollution and negative externalities – provide external benefits?
- **Government**  
abide by the law, pay taxes, abide by regulations
- **Management**  
their aims versus those of the organisation as a whole
- **Environment**  
limit pollution, congestion, environmental degradation, development, etc.

# *Business Ethics*

- The moral guidelines for decision making by organisations.
- Adopting a moral code – identifying what is ‘right’ and what is ‘wrong’ and act accordingly
- Highly subjective nature
- Tension between different stakeholders



# *Business Ethics*

## **Tensions:**

- Profits versus higher wages
- Expansion versus development
- Production versus pollution
- Supplier benefits versus consumer prices/lower costs
- Survival of the business versus needs of stakeholders

*Identify each case examples ethical issue*

<b>Examples</b>	
Production of children's toys	Profits versus higher wages
Coffee industry	Expansion versus development
Music industry	Production versus pollution
Multi-national operations	Supplier benefits versus consumer prices/lower costs
McDonalds – food quality, litter	Survival of the business versus needs of stakeholders
Jewellery – diamonds and gold	<b><u>Or any ethical issues that you can identify</u></b>
Chemical industry	

# *Solutions*

- Self Regulation
- Subsidies
- Government/EU regulation
- Legislation
- Pressure Groups
- Improve competition and contestability of markets
- Social and Environmental Audits

# *Which solution could "solve" the ethical issues?*

## Examples

- Production of children's toys
- Coffee industry
- Music industry
- Multi-national operations
- McDonalds – food quality, litter
- Jewellery – diamonds and gold
- Chemical industry

## Solutions

- Self Regulation
- Subsidies
- Government/EU regulation
- Legislation
- Pressure Groups
- Improve competition and contestability of markets
- Social and Environmental Audits

- But do they solve the issue?

# *Case studies*

## Objectives

- Identify stakeholders within group
- Identify of ethical issue within case study
- Identify tensions created between stakeholders
- Recommend a possible solution

## Quick discussion – extension task

In many markets firms are becoming fewer and larger e.g. car manufacturing.

In view of this, discuss whether the consumer is really becoming more powerful?