

FACTFILE: GCE BUSINESS STUDIES

UNIT A2 2: THE COMPETITIVE BUSINESS ENVIRONMENT BUSINESS ETHICS AND CORPORATE SOCIAL RESPONSIBILITY



Learning Outcomes

Students should be able to:

- demonstrate and apply knowledge and understanding of the ethical responsibilities of businesses and how these impact on the organisational culture
- evaluate corporate social responsibility of a business using Carroll's Corporate Social Responsibility Pyramid



Business Ethics:

Definition:

Business ethics may be thought of as the moral values (or rules) that govern the activities of a business organisation.

Ethical responsibilities in a business context refer to the decisions or activities undertaken by all staff of a business organisation to ensure that they are morally appropriate.

Examples of unethical business practices include:

- the use of child labour (i.e. individuals aged under 16 years old, in a production process)
- the unauthorised use of copyrighted materials patented business products/processes
- bribery or use of funds gained from an illegal source
- undertaking activities which pollute/damage the environment.

Management have a responsibility to ensure a high standard of ethical behaviour even though the corporate objective may be to achieve business growth.

There are instances where business activities are considered to be lawful and profitable, but may create an impression of unethical behaviour.

One example might include the employment of staff aged 18 years of age, at the minimum wage rate, compared to the employment of highly experienced staff aged over 60 who would be entitled to a higher rate of pay.

Ethical Code of Conduct:

Many businesses use a Code of Conduct in relation to ethical issues affecting their business activities.

The purpose of an ethical code of conduct is to provide guidance to all staff in a business organisation enabling them to make the most appropriate decisions or undertake the most appropriate activities in an ethical manner, which support the ethical policies of the business.

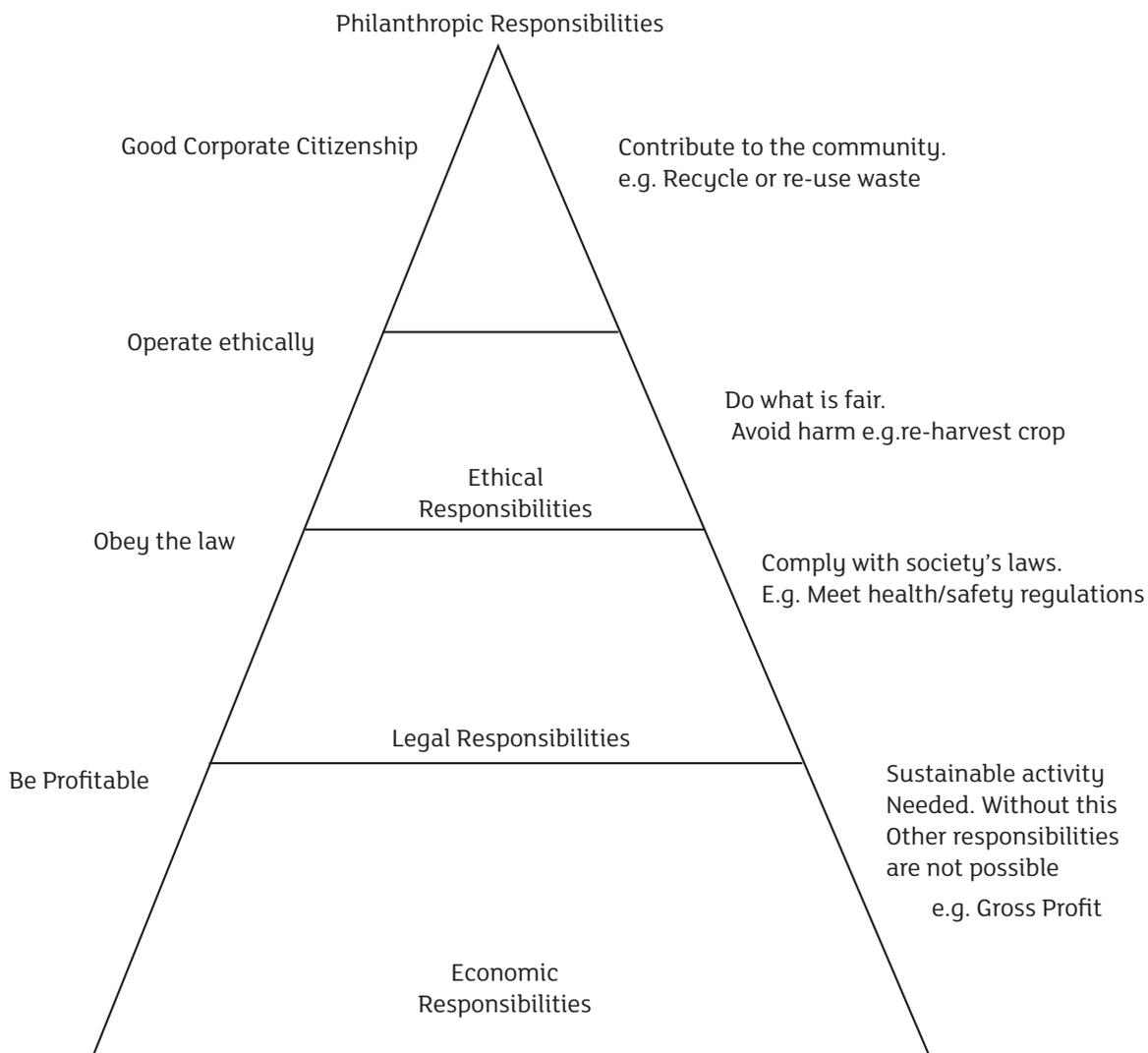
An ethical code of conduct may be useful to a business as a way of implementing best practice. Corporate Social Responsibility reflects the wider range of social responsibilities a business has towards its stakeholders.



REVISION QUESTIONS

1. Explain what is meant by the terms 'business ethics' and 'CSR'.
2. Evaluate the impact of the use of business ethics as a source of competitive advantage for a business.
3. With reference to a business such as Mash Direct Limited (See Specimen Assessment Materials, A2 2, Examination Paper), evaluate ethics as a source of competitive advantage to Mash Direct Ltd.

APPENDIX 1: CARROLL'S SOCIAL RESPONSIBILITY PYRAMID



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