

GLENCOE

Introduction to Business

5th Edition

Chapter

4

Business Ethics and
Social Responsibility

pp. 48-61

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● **Learning Objectives**

After completing this chapter, you'll be able to:

- 1. Explain business ethics.**
- 2. Give reasons why ethical behavior is good for business.**
- 3. Define social responsibility.**
- 4. Describe the social responsibilities businesses have to society.**

continued

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● **Why It's Important**

Understanding business ethics and social responsibility makes you informed of your rights as a consumer, an employee, and a citizen.

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● **Key Words**

ethics

business ethics

sweatshops

**Occupational Safety and
Health Administration
(OSHA)**

code of ethics

social responsibility

conflict of interest

**Food and Drug Administration
(FDA)**

Equal Pay Act

**Environmental Protection Agency
(EPA)**

continued

What Is Ethics?

Ethics is the set of moral principles by which people conduct themselves personally, socially, or professionally.

What Is Ethics?

Business ethics is a set of laws about how a business should conduct itself.

In general, for any business to be successful, it must operate legally and humanely.

Legal Responsibility

Sweatshops are factories that pay workers poorly, are unhealthy, and treat workers badly.

Legal Responsibility

The **Occupational Safety and Health Administration (OSHA)** is a division of the Department of Labor that sets and enforces work-related health and safety rules.

Legal Responsibility

Other independent agencies protect consumers, monitor broadcast communications, and address discrimination in the workplace.

Most businesses police themselves by distributing codes of ethics.

Legal Responsibility

A **code of ethics** is a set of strict guidelines for maintaining ethics in the workplace.

Businesses that regulate themselves are able to operate more freely.

Ethics as Good Business

Unethical business practices can affect your business indirectly.

The amount you make in profits from one unhappy customer can translate into a lot more lost because of missed repeat business.

Ethics as Good Business

Treating employees unethically can also backfire.

Mistreating employees leads to a high turnover rate. This increases the cost of hiring and training new employees.

Important Ethical Questions

When considering a questionable course of action, ask these important questions:

- Is it against the law? Does it violate company or professional policies?
- What if everyone did this? How would I feel if someone did this to me?
- Am I sacrificing long-term benefits for short-term gains?

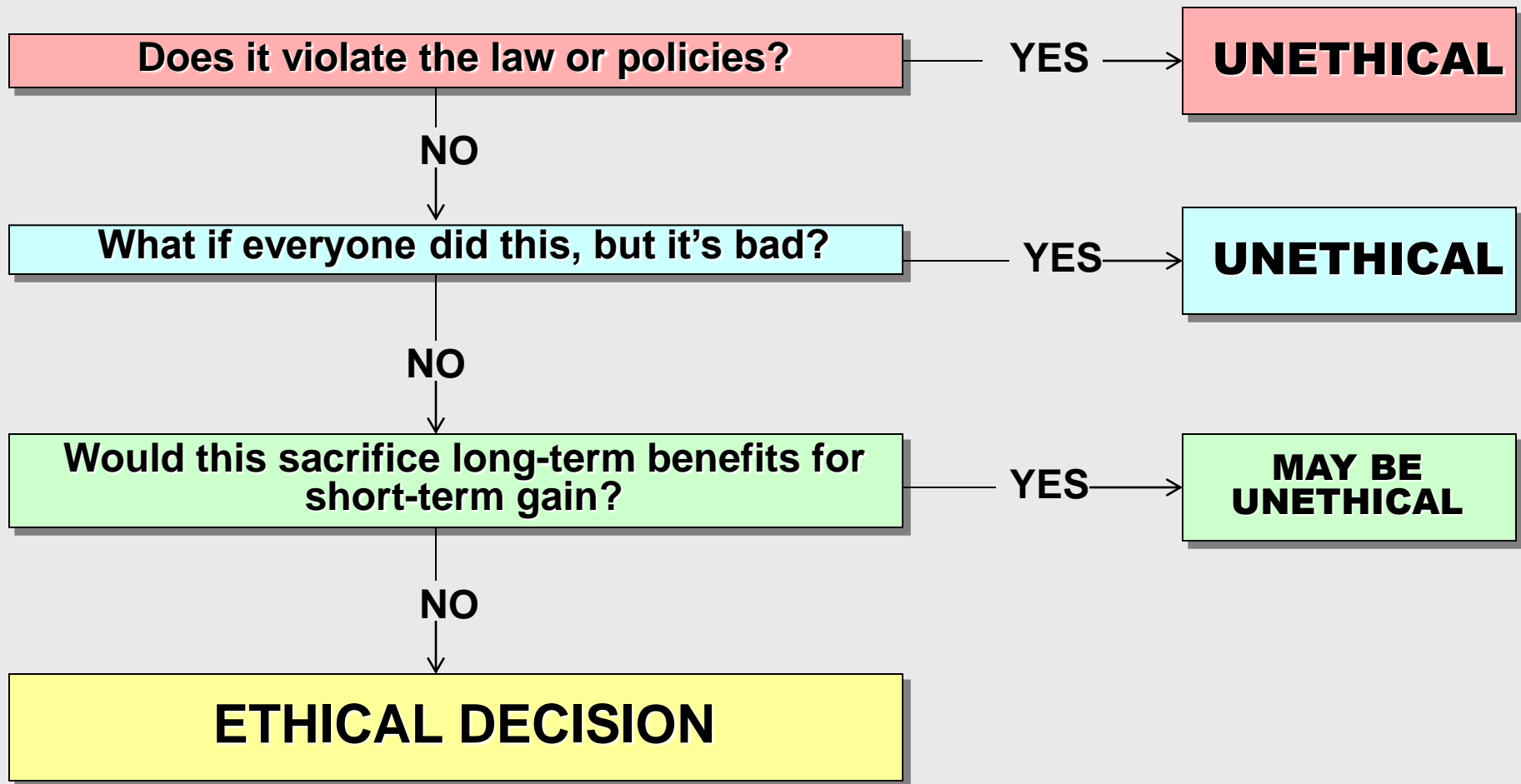
Making Decisions on Ethical Issues

Here are some steps if you find yourself in an ethical dilemma:

1. Identify the ethical dilemma.
2. Discover alternative actions.
3. Decide who might be affected.
4. List the probable effects of the alternatives.
5. Select the best alternative.

Graphic Organizer

Important Ethical Questions



Social Responsibility

Social responsibility is the duty to do what is best for the good of society.

The ethical obligations of a business are to:

- Provide safe products
- Create jobs
- Protect the environment
- Contribute to the standard of living in society

Social Responsibility

A **conflict of interest** is when a business is tempted to put profits before social welfare.

Responsibility to Customers

The **Food and Drug Administration (FDA)**, a government agency, protects consumers from dangerous or falsely advertised products.

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Figure 4.2

OVER-THE-COUNTER MEDICINE LABEL



The FDA governs advertising and labeling of over-the-counter medicines.

Analyze why the FDA officials might feel that regulation of advertising and packaging labels is necessary.

Responsibility to Customers

Fair competition between businesses is healthy for the marketplace, but some companies don't always play reasonably.

Responsibility to Customers

Some companies use unethical means to eliminate competition.

One of the most common means is to conspire with other companies to control the market for a product.

Responsibility to Employees

Businesses have a social responsibility to create jobs.

They are expected to provide employees with safe working conditions, equal treatment, and fair pay.

Responsibility to Employees

The **Equal Pay Act** (passed in 1964) requires that men and women be paid the same wages for doing equal work.

Responsibility to Employees

The Americans with Disabilities Act (ADA) bans discrimination against persons with physical or mental disability.

Responsibility to Employees

It's in a company's best interest to treat its workers fairly otherwise low morale, poor productivity, and a high turnover rate are its troubles.

Responsibility to Society

Businesses have responsibilities not only to customers and to employees but also to society as a whole.

Responsibility to Society

In 1970, the U.S. government created the **Environmental Protection Agency (EPA)**, a federal agency that enforces rules that protect the environment and control pollution.

Responsibility to Society

Many businesses plan for their social responsibilities just like planning for production and sale of their products.

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- ***Get out a full piece of paper.***
- ***You will work by yourself first and then share with others in your group.***
- ***Groups are limited to a minimum of 3 and a maximum of 4.***

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You are the owner of a ship that is carrying grain to a country suffering from severe famine. You are the first to arrive, but you know that other ships will be arriving 5 days later. The normal price of the grain is \$10 per unit.

What price do you charge for the grain?

Do you tell them that other ships are arriving in a few days?

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You've received \$100 for your birthday. You go to a store to purchase a soda and pay with a \$20 bill. The customer behind you is bothering the clerk as he rings up your purchase. The clerk gives your change and you leave to discover outside the store that the clerk gave you \$20 in change.

What do you do? Why?

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You're at a restaurant. As part of your meal, you have lemonade. You get your bill and when reviewing the bill, you discover that the waitress forgot to include your beverage.

What do you do? Why?

Would your decision change if the waitress had to pay for your beverage out of her pocket?

Why?

What if the waitress could lose her job?

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You're walking down the hall and notice a billfold lying on the floor. You pick it up and discover that there's \$100 in cash inside it.

What do you do? Why?

Would your decision change if there was identification inside? Why?

Would you demand a reward for returning it?

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Have you ever lost something that was returned to you? Describe the situation.

How did you feel when you lost the item?

How did you feel when the item was returned?

What did you do/say to the person who returned it?

What should you do/say to the person who returned it?

HOMework – Discuss with parents!

You are standing in the hall between classes and notice someone take an object out of another student's backpack without permission. The student doesn't know that an object was taken.

What do you do? Why?

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End of Chapter

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Business Ethics and Social Responsibility