**Social Responsibility & Business Ethics**

1. **Socially Responsibility**

The social responsibility of a business is its duty to treat all those people that it comes into contact with fairly, honestly and in a way that is acceptable to society. The business has an obligation to do something good for others. E.g. Walt Disney Company (top 5 socially responsible company’s) runs its Disneyland trains on biodiesel made with cooking oil from the resort’s hotel, established a worldwide conservation fund and has a ‘green standard’ for all employees.

**Businesses have social responsibility to their stakeholders as follows:**

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| **Investors –** provide the finance   * Provide them with honest financial information * Inform them about how the business is doing * Pay them a decent dividend | **Employees –** do the day-to-day work   * Fair pay and promotion * Safe working conditions * Job security * Contracts of employment * Not to discriminate against | **Customers –** buy the products/service   * Provide products of high quality * Ensure products are safe and reliable * Advertising must not be misleading |
| **Government –**   * Ensure taxes are paid in full and on time * Legislation needs to be adhered to at all times | **General Public/Communities**   * Social costs needs to be minimised (not to cause air or noise pollution) * Try to buy from local suppliers and hire local people | **Suppliers/Creditors**   * Ensure bills are paid in full and on time * Needs to honour contracts * Engage in fair negotiations, free of pressure or duress |

1. **Business Ethics**

This is a code of behaviour for people in business that is accepted as morally correct. It is based on what is honest, fair and right and looks are how people are treated by a business.

**Guidelines for Ethical Behaviour in Business**

1. Have a *code of ethics* clearly made out and available to all. (A written document that sets out guidelines to follow when making decisions)
2. Have *ethical leadership* – management must lead by example
3. Have *constant reminders* and refocusing on the need for ethical behaviour in the business
4. Employ *staff with* *high ethical standards* and have regular training.
5. Be willing to listen to employees who report unethical behaviour in the workplace (*Whistleblowers)* and ensure they don’t suffer sanctions as a result.
6. Get the business assessed by an *ethics auditor-* an independent outsider who examines every aspect of the business.

**Why do business people behave unethically?**

1. Greed – Pressure to make greater profits
2. Pay for performance – A competitive workplace
3. Poor leadership
4. No clear code of ethics
5. **Environmental Issues**

Business has a responsibility to the environment. The government agency Environmental Protection Agency (EPA) has the task of monitoring and regulating companies that may cause pollution. They monitor:

1. Pollution - air pollution causes by chemical emissions and emissions from car exhausts. Water pollution caused by toxic chemicals and slurry effluent dumped in seas and rivers.
2. Climate change – businesses must use fossil fuels as efficiently as possible and try to switch to renewable sources of energy in order to prevent the destruction of the ozone layer which increases the risk of cancer and leads to climate change(storms, drought & floods)
3. Waste Management – businesses must dispose of any waste they have in a way that does not harm the environment. They must reduce, reuse and recycle whatever is possible. The Irish government has a policy to deal with waste management called the ‘polluter pays’ whereby businesses must pay to dispose of its waste in landfills.
4. Sustainable Development – means using up natural resources for businesses own needs without causing depletion in the levels of resources for future generations. To promote sustainable development business must:
   * Take measures to counter climate change and limit its effects.
   * Use energy more efficiently and if possible develop renewable energy e.g. wind & solar energy.
   * Limit the damage due to transport.
   * Replenishing resources used, by restocking the seas and rivers, replanting forests etc

**Characteristics of environmentally conscious business**

1. Conduct an environmental audit, when planning any new development or change (assessing the impact of its plans on the environment)
2. Be open in disclosing information to the public on environment issues
3. Conduct R&D to find more environmentally friendly production methods
4. Reduce the amount of packaging used
5. Make products which are recyclable.
6. Have proper waste disposal methods

(Also see page 422-423 for other characteristics & examples)

**Impact of meeting Social, Ethical and Environmental responsibilities**

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| **Costs to a business**   1. Better wages & working conditions will cost money 2. To reduce pollution a business may have to upgrade its manufacturing process 3. Extra costs to ensure the safe disposal of toxic waste 4. Paying suppliers a fair price may result in higher raw material costs & less profits 5. Using recycle materials & producing recyclable products may cost more | **Benefits to business**   1. Businesses can use it as a marketing strategy (USP) 2. Consumers like businesses that behave ethically & environmentally responsible & so it should lead to higher sales & profits in the long run. 3. Attracts better workers (due to better wages & work conditions) and will lead to less absenteeism. |