

#### Ethical issues

An ethical business is one that considers the needs of all stakeholders when making business decisions. An ethical business, when setting objectives and considering strategy, takes into consideration its social responsibilities. Ethical businesses consider the moral rights and wrongs of any strategic decisions that are made.

Businesses today have a much wider set of social responsibilities than in the past. The view that shareholders are the only stakeholders that need to be satisfied is long gone. The stakeholders may include employees, suppliers, customers and a wide range of environmental and animal rights groups. Key issues include:

- **Employees**

Businesses should treat employees as their most valuable asset. This means taking care of their health and safety and conditions of work and also paying a living wage. Their ethical responsibilities should not stop with their own employees. Those working for suppliers are equally as important. It cannot be regarded as ethical if a business claims to pay its own employees a living wage if workers further down the supply chain, in perhaps a less developed country, earn the equivalent of 40p an hour.

- **Suppliers**

Suppliers should also be treated fairly, this means sticking to agreed contracts, and not forcing renegotiation upon suppliers. It means sharing burdens of developing and supplying products and paying on time and not putting pressure upon suppliers' cash flow. Fair trade claims should be backed by positive action, not just lip service. It is not fair trade to charge a customer an extra 30p for fair trade chocolate or tea or coffee and then pass on a fraction of the 30p price increase to the supplier.

- **Customers**

Above all, customers want a quality product or service at a fair price. Businesses which act unethically fail to fulfil this moral commitment to customers. For example, the PPI scandal was a double failure on the part of many of the major banks in the UK. Not only was the insurance cover provided through PPI often irrelevant to customer needs, it was massively overpriced. The end result has been £billions of compensation payments to customers who were mis-sold PPI.

- **Environmental ethics**

Environmental pressure groups have become increasingly effective in influencing business decision makers. Prominent international organisations such as Greenpeace or Friends of the Earth have been able to effectively change the course of action of numerous enterprises. Smaller pressure groups acting on a local issue have also taken on large business organisations with varying degrees of success.

The increasing awareness of the effects of pollution caused by large businesses has also had an influence on the way even local residents perceive the costs and benefits of businesses being located near to their homes. It used to be the case that the opportunity for employment, especially in depressed areas, was grasped with both hands. This situation has now changed. The widespread protest against fracking demonstrates that, for many people, any environmental costs can sometimes outweigh potential benefits. Local residents, in a way similar to pressure groups, have become a great deal more aware of methods of preventing or changing potential developments.

- **Animal welfare**

Animal welfare is a major issue for those retailers with claims to be ethical. Grocers look down the supply chain to ensure the welfare of animals, and can focus their marketing on how well supplying farmers treat their livestock. The demand for 'free range' products is a good example of how retailers have responded to their customers' concerns.

Clothing retailers too have responded to animal rights issues in relation to the raw materials they use. PETA (People for Ethical Treatment of Animals) has ensured that the argument has progressed well beyond fur skin coats, covering treatment of other animals used in the clothing supply chain.

The company that perhaps has had the greatest volume of protests against its treatment of animals is SeaWorld. Welfare protesters have been targeting this company for a number of years, focusing on the SeaWorld's treatment of killer whales. These campaigning actions have forced SeaWorld to change its breeding policies and how it operates Orca shows.

## Corporate social responsibility (CSR)

This is the concept that businesses have a responsibility that goes beyond making profits for their shareholders. Businesses need to monitor and take responsibility for the **impact** they have on both social welfare and the environment.

Some large organisations now audit relevant activities and make a corporate responsibility report available to the public. This is similar to the way in which they audit their accounts, although the standards in this area are not universally established when deciding upon whether the evidence is a 'true and fair' reflection of what has actually happened. Nonetheless, such audits do reflect an organisation's willingness to act ethically towards all its stakeholders. Different organisations will naturally use different measures in their audit. The activities of a construction company, for example, will differ considerably from those of a pharmaceutical company.

Social and Environmental Audits (SEAs) may address some of the following:

- How well do we ensure human rights?
- Do we use suppliers who use child labour?
- Do we discriminate when recruiting?
- Do we pay the correct level of remuneration for the job?
- How many women do we have in senior positions?
- Do we support any charities in the locality of our factories?
- Have we broken any laws?
- Do we compete fairly?
- Do we comply with all health and safety legislation?
- Is our advertising truthful?
- Have we caused any pollution?

It is fair to say that it is sometimes difficult to assess how well a business is performing in relation to the ethical issues that confront it. Financial audits provide clear evidence in terms of profitability year on year but SEAs do not have the same precise numerical data with which to make such judgements. Nonetheless, they act as a worthwhile indicator of the progress a business is making in relation to its ethical responsibilities towards all its stakeholders.

## Ethics and Profitability

Acting ethically, unless required to do so by law, can negatively impact upon profitability:

- ✗ Costs are likely to rise. For example, paying a 'living wage', as opposed to complying with the minimum wage legislation, will increase labour costs. Building improved canteen facilities or providing sports facilities for employees would prove to be very costly.
- ✗ Revenues are likely to fall. For example, a toy retailer that refuses to target children with blanket advertising prior to Christmas will no doubt lose sales to their competitors. A construction company that declines to offer a bribe to a Third World government official when tendering for a contract may well not be considered for that project.
- ✓ Some customers are attracted to those businesses that adopt an ethical approach. Restaurants and coffee shops that source their ingredients from ethical suppliers appeal to a growing number of customers. Using 'ethics' at the heart of their marketing campaigns can boost sales in certain instances. The growth of the Fair Trade movement is evidence of such a trend.
- ✓ Acting ethically can improve public relations (PR) and have a positive impact on the image that a business portrays. No business wants to have its name splashed all over the newspapers for mistreating its employees or using low quality ingredients that may be harmful to consumers. The discovery of horsemeat in burgers supplied by a number of UK supermarkets is a crisis they could have well done without. Checking supply chains carefully is not only ethical, but can also prevent significant loss of revenue and reputation.

### Can businesses be truly ethical?

Firstly, it is worth noting that businesses are being forced to take action to accept social responsibilities through increased legislation. For example, we now have the minimum wage, four weeks paid annual holiday, requirements for dealing with suppliers and green taxes. The majority of cases where ethics and social responsibilities are ignored have occurred when the profit motive has remained the major concern. This is to be expected; after all the priority of all businesses has traditionally been the satisfaction of the shareholder's needs – which means increasing the share value and increasing dividends.

Many businesses will be what many regard as ethical, only after profits are assured. For many companies, performance pressures mean that the short term profits are the priority. These pressures mean that ethics have to be ignored or treated as a short-term PR exercise. It is only into the long term, when immense pressures have built, that social responsibilities have to be considered.

Small to medium-sized enterprises may well not have the time or resources to focus on drawing up an ethical code of practice. However, many new enterprises are using an ethical stance as a USP and thriving as a result. Consumers and society are far more aware of ethical issues, and those businesses which ignore this growing trend run the risk of losing out to their competitors.

To be truly ethical and accept social responsibilities to the full, managers face many difficulties. To overcome these, they have to take into constant consideration the changing views of stakeholders of all types, stick to the relevant legislation, as well as put into place administrative procedures that tell them how the business impacts on their stakeholder groups. Although these actions cost money, which may mean smaller profits in the short-run, the hope for the ethical business must be that profits will grow in the long run.

## Legal factors

There are a number of different laws that affect the way businesses can operate. These laws are designed to protect individuals, customers, employees and the environment from the potential negative acts of business. Those who set laws and add to existing legislation argue that without a strong legal framework businesses will operate in a way that will maximise their profits and this is likely to be a detrimental to many groups such as employees and customers. Business legislation covers a number of areas, namely company law, employment and anti-discrimination law, consumer protection, competition policy, health and safety legislation, data protection, intellectual property and minimum wage legislation.

### ➤ **Company law**

When a business is incorporated, it exists as a separate legal entity. That is, it is separate from shareholders. The act of setting up a Limited Company (LTD or PLC) is incorporation. An incorporated business is responsible for its own debts and liabilities. The shareholders and, as a general rule, directors cannot be forced to pay them (unless fraudulent activity has occurred).

Many Ltd.s employ professional company secretaries (who can carry out this role for a number of companies) to ensure that the company meets with required legislation. Failure to comply with company law can lead to company directors being fined, struck off or even to the compulsory liquidation (winding up) of the company. Compulsory liquidation or winding up can be requested through courts by creditors (often HMRC for non-payment of taxes due) and can also occur through failure to provide accounts to Companies House within the due period.

### ➤ **Employment legislation**

There are a number of different types of legislation that regulate the relationship between employers and employees:

#### Health and safety legislation

Under the Health and Safety at Work legislation, employers have a duty to take all reasonable care to ensure the wellbeing and safety of their employees. Employers have a legal responsibility to ensure that working environments are safe and that employees are able to understand and are trained to deal with the risks involved in their jobs. Employees also have responsibilities, such as taking reasonable care and ensuring that they abide by health and safety rules – e.g. wearing hard hats on building sites.

#### Employment rights

This is the key legislation concerned with establishing workers' rights in regard to their terms and conditions of employment. Employees have to be provided with a written contract of employment within two months of starting employment. The contract must state levels of pay, holiday entitlement, rights for maternity pay, pension rights, disciplinary procedures and length of notice period.

Employees are also protected against unfair dismissal. Employees' rights have been extended by European legislation. The UK's signing up for the Social Chapter of the Maastricht Treaty has established, within UK law, further rights such as a legal limit on a working week, and the legal entitlement to holiday pay. This legislation may change following the UK's decision to withdraw from the EU.

## Anti-discrimination legislation

Workers are protected against discrimination in a number of important areas:

### - Age discrimination

It is illegal in the workplace to make decisions based on the age of employees when considering recruitment, employment terms and conditions, promotions, transfers, training and dismissal. The retirement age of 65 was abolished in 2011: retirement age is now when the employee chooses to take retirement. An employer can only retire a worker in particular circumstances, e.g. not being physically up to the tasks involved in the job.

### - Racial or belief-based discrimination

It is illegal to discriminate on grounds of colour, race, nationality or ethnic/national origin when considering recruitment, employment terms and conditions, promotions and transfers, training and dismissal. Employers are liable for acts of discrimination committed by their employees in the course of their employment, unless the employer can show that they took reasonable actions to prevent the discrimination occurring.

### - Sex discrimination

It is illegal for employers to discriminate on the basis of a person's sex, or because they are married or in a civil partnership or if they have gone through, are going through or intend to go through, gender reassignment. Sexual discrimination legislation also makes it illegal for employers to discriminate between men and women in terms of their pay and conditions where they are doing either the same or similar work (like work) or work of equal value.

### - Sexual orientation discrimination

It is illegal to discriminate because of sexual orientation or 'perceived' sexual orientation. This includes orientation towards someone of the same sex (lesbian/ gay), opposite sex (heterosexual) or both (bisexual).

## ➤ Consumer protection

The main types of consumer protection are covered in Chapter 5 of the AS resources.

When consumers purchase goods or services, a contract is formed between the consumer, the retailer and the producer of those goods or services. Legislation clarifies the nature of the contract and how suppliers of goods and services are required to behave. Legislation, for example, makes it a criminal offence to give untrue or misleading descriptions of goods in regard to their content, size, weight and price. As a result of this legislation, manufacturers and retailers have to take a great deal of care about information presented on their packaging or within advertisements and any other form of promotional material. Goods must also be of merchantable quality – fit for their intended purpose and be as described. This means that the goods must be capable of doing what they were designed to do and what the purchaser would reasonably expect them to be able to do.

## ➤ **Minimum wage legislation**

The National Minimum Wage when first introduced in April 1999 intended to boost the pay of very low-paid workers. The legal minimum wage is reviewed every year and has gone up each year since 1999. Businesses have to comply with the new rates or face prosecution.

Most employees have not been directly affected by the introduction of the minimum wage. Only around 7–8% of the workforce was in an occupation that paid below the minimum wage, so most employees were not directly affected by its introduction in 1999. But there has been some pressure to maintain differentials, meaning that wage rates of those just above the minimum wage have moved up in line with those below the minimum wage. The workers who have benefited the most have been younger workers in low paid industries such as care services, office services like cleaning, catering, fast food, etc. For the lowest paid, minimum wage has allowed a move away from poverty and removed some aspects of the poverty trap.

Employment had continued to grow in low-paying sectors following the introduction of the minimum wage, and there were no signs of a significant minimum wage effect in the unemployment figures between 2000 and 2008. In fact, in the lowest paying sectors of the economy such as the hotel industry, catering, and care services, employment levels had grown strongly over the first 8 years of the minimum wage. The impact of the recession of 2008–10 seems to have been felt across most employment sectors, with those on minimum wage not seeing any greater increase in unemployment levels. The Living Wage introduced in April 2016 is more controversial in regard to the impact on employees and employer costs.

It is argued that the minimum wage has made the UK much less attractive to inward investment, discouraging investment in the UK by foreign companies. Also some businesses have moved production and investment to countries in the east of Europe where the cost of labour is low. Small businesses have been most affected, especially those that are labour-intensive. The focus for the owners and managers of these businesses, as encouraged by the government and bodies such as the Low Pay Commission, has been to make workers more productive through training and education, and so productivity costs will fall and not increase. If this were to happen, the minimum wage could be argued to have increased efficiency. Employers may also have benefited from a more motivated workforce as it is now more likely that Herzberg's hygiene factors are being satisfied.

Overall wage costs could have increased because of the pressure to keep existing wage differentials in place, as the wage of the lowest-paid workers increases, so must the wages of those on the next level up and so on.

Employers who have felt the worst of the impact are found in the industries mentioned above, sectors such as the care home industry, where rising costs have outpaced increases in income. This has led to the closure of many care homes, and real shortages of care beds in some areas of the country. Employers have made more use of zero-hours contracts, where employees have to be in the workplace or available for work, but are only paid when they are actually working. So, for example, an employee may have a job description saying that they must be available for work during the period between 8.00 a.m. and 7.00 p.m., only to find that they do 4 hours work in this period, so only receive 4 hours pay. Around 3 million workers in the UK are thought to be on zero-hours contracts. An alternative approach by employers has been to switch costs onto employees, and reduce employee benefits such as subsidised meals and staff discounts.

## ➤ **Competition policy**

Competition policy in the UK is focused on controlling the abuse of market power of big business. Because businesses in a monopoly or a near-monopoly position hold a dominant market position, they can have control over price or amount produced within the market.

The behaviour of existing monopolies (potentially any business with over 25% market share) is monitored by the Competitions and Markets Authority (CMA). (Information on CMA is in Chapter 5 of the AS resources.) It also monitors potential mergers or take-overs of large businesses and may investigate prior to allowing any to go ahead.

Another role of the CMA is to investigate situations where companies may be acting together, forming an illegal cartel which limits the competition within an industry. Businesses, if they have a choice, will not compete on price, and by creating a dominant market position by working with other large businesses they can limit price competition. This is known as collusion, which is illegal.

## ➤ Intellectual property law

Intellectual property Law covers the legal rights of individual and companies in regard to designs, inventions and artistic works.

**Trademark** legislation covers designs and artwork, such a labelling, brand logo design and product design.

Trademarks and other aspects of design can be registered, and protected from copying. A copy can infringe a trademark without being an exact copy, but instead similar enough to cause confusion in consumers.

Patent Law covers inventions and gives rights to the inventor or patent owner for a limited period to stop others from making, using or selling an invention without the permission of the inventor or owner. Patent periods can vary in time but are normally for 20 years. Patents need to be registered by the UK Intellectual Property Office. The registration process can be relatively expensive for a small business because of the number of checks that need to be carried out to ensure that the method, process or object being patented is new. Infringement of patents involves an illegal copy of a patented method, process or object has been produced and offered for sale. Businesses found guilty of infringement have to pay damages and a court injunction to prevent further infringements occurring.

Copyright law gives the creators of literary, dramatic, musical and artistic works, sound recordings, broadcasts and films, rights to control the ways in which their material may be used. The law means that it is an offence to do any of the following without the consent of the owner:

- Copy the work; rent, lend or issue copies of the work to the public
- Perform, broadcast or show the work in public
- Adapt the work in any way

Consent can be given, but the owner of the copyright may demand payment.

Many owners of copyright are losing out because of illegal downloading on the Internet and, as a result, the government, owners, authors and publishers of copyrighted material are looking at ways of limiting this illegal activity. Ultimately it would not be worthwhile for film companies to produce films, for authors to write books or for bands to make records if they cannot protect their rights over what they have created.

## ➤ Data protection

Data protection is concerned with how personal data gathered by organisations is used and kept secure. Businesses are required to have a Data Protection Officer whose role is to ensure that the requirements of the Data Protection Act are met. Data gathered from customers or clients must be:

- used fairly and lawfully
- used for limited, specifically stated purposes
- used in a way that is adequate, relevant and not excessive
- accurate
- kept for no longer than is absolutely necessary
- handled according to people's data protection rights
- kept safe and secure

Businesses who fail to protect data can be subject to large fines. Instances of companies failing to protect customers' data online are very much on the increase and it is an issue that businesses are urgently attempting to address.

## The impact of legislation on businesses

Making the necessary improvements or adjustments to products in order to comply with **consumer legislation** can increase costs considerably. Quality control systems are expensive to implement but will benefit a business in the long run. Larger businesses have set up customer complaints departments to deal with increasingly aware customers who can be dealt with before they turn to the legal system with their concerns.

Compliance with **employment legislation** can be very costly indeed and human resource departments are constantly having to deal with increasing amounts of legislation in relation to recruitment, employee well-being and training. Minimum Wage legislation has an impact upon some businesses, although it must be remembered that the majority of businesses pay over that level already. Many businesses complain that the amount of employment legislation introduced in recent times has made their operations inflexible and does not allow them to adapt to changing market circumstances.

Nonetheless, employment legislation which prevents unethical businesses from paying very low wages in order to reduce costs does make it a much fairer market in which to compete. Complying with such legislation and improving employee welfare is likely to improve motivation, thus reducing absenteeism, improving productivity and retaining staff.

If **company law** creates a more competitive business environment, this will mean more opportunities for those businesses struggling to overcome barriers to entry set up by the dominant players in the market. Some would argue that too much legislation slows down the progress of many business ventures and prevents mergers and takeovers that would prove very lucrative for their shareholders.

To ensure that they comply with the vast amount of **health and safety legislation** that exists, businesses have to spend large amounts of money. Larger businesses have whole departments set up to ensure that they pass the inspections of the H&S inspectorate. Non-compliance results in heavy fines and bad publicity.

However, a good health and safety record will benefit businesses and improve their image in the eyes of their customers. Employees will want to work in an environment which puts their safety first, especially where the tasks are potentially dangerous. Employee loyalty will be enhanced and motivation will improve. It is likely that workers operating in a safe and secure environment will prove to be more productive.

## Environmental factors

Protecting the environment is now a mainstream business issue. Businesses can no longer afford to ignore their own impact on the environment, or the implications of a changing environment for their operations. Whilst climate change has risen rapidly up the agenda as an issue of major concern, it must be remembered that this is just one of many environmental issues of which businesses should be aware if they are to remain viable in the longer term. Other issues include water and noise pollution, congestion, destruction of the environment and waste disposal.

The **negative externalities** (environmental costs) of business activity used to be largely ignored by nearly all stakeholders: those stakeholders that did care were not listened to. Today things are very different. The government and pressure groups (whether local or global) have a strong influence on business activity and, to some extent, they are able to limit its wider environmental impact. As well as these external influences, many businesses now undertake the control of their environmental impact without the need for external pressure. Some produce and publish their own **environmental audits**, which measure their impact on the environment and set out plans for improvement.

## The role of government

The UK Government has signed up to a range of EU limits and controls designed to restrict the negative impact of business activity. A range of green taxes has been designed, not so much to punish businesses, but to encourage them to improve environmental practices. These are often referred to as green taxes. Examples of such taxes include:

- **The Climate Change Levy** – this is a tax on energy use by non-domestic users. The tax is designed to provide an incentive to reduce energy consumption.
- **The Landfill Tax** – this was the UK's first environmental tax (1996), and is a charge on waste going to landfills. Landfill sites in the UK are almost full. Trying to open new ones would meet with fierce opposition.

The overall impact of environmental taxes means that businesses which are **medium-sized users of energy** face energy (gas plus electricity) costs that are on average **between 15% and 21% higher** as a result of environmental policies. UK businesses often argue that such costs harm their ability to compete with businesses based in less-developed economies where environmental regulation is not imposed.

The **Environment Agency** is the government body that monitors and controls pollution. It was set up in 1995 (Environment Act) and it has had a significant role in helping to reduce emissions into the air, cleaning up our rivers and generally ensuring that UK businesses comply with the numerous pieces of legislation introduced by the EU and UK Government.

## The role of pressure groups

Pressure groups are organisations formed with the objective of influencing government or business policy at local, national or international level. The WWF (World Wildlife Fund) is a well-established example of a pressure group that has helped change attitudes towards environmental issues across the globe. Its aim is to protect endangered wildlife and environments, tackle climate change and promote the sustainable use of resources. This type of pressure group has a wide range of activities and their roles can evolve over time.

There has been huge growth in pressure group activity in recent years. Many of these groups have developed out of a desire to resolve a local environmental issue and they have helped to increase environmental and social awareness significantly amongst the general public.

### How do pressure groups fight their case?

- **Lobbying** is now accepted as a one of the most effective ways for pressure groups achieving their set objectives. Lobbying involves meeting with, and discussing issues and concerns with decision makers such as government ministers MPs and senior management in large companies.
- **Direct action** against businesses is becoming more popular. There have been several examples in recent years of businesses being forced to make policy reversals as a result of pressure group action.
- To gain as much **publicity** as possible – the gaining of positive media attention is all-important. The interest of the media often raises public awareness of the issues and can bring the public onto the pressure group's side.
- **Legal action** is another alternative – pressure groups often fight their case through the courts, questioning the legality of proposed actions.

## The impact on business activity

A sustainable business must first of all be a successful and profitable business. It is also one that continuously improves its productivity by taking action on the economic, social and environmental impacts of its business. That means a sustainable business takes a sustainable approach to what it produces, how it buys and sells, how it affects the environment, where it invests, how it recruits, trains and develops its own people, how it interacts with the wider community and how it respects the rights of people. A sustainable business must meet customer needs while, at the same time, treating the environment well.

There is no value in a business being the finest example of environmental good practice if it subsequently fails. Decision-makers in business should rightly consider the likely returns on their actions before adopting best practices. However, business leaders have become increasingly aware that profitability is not a separate function from environmental awareness and that both need to be part of the same strategy – **there does not have to be a conflict between profitability and protecting the environment.**

Resources are becoming increasingly scarce and prices are rising accordingly. Energy, water and waste often represent significant costs for businesses and any opportunity to drive these costs down is to be welcomed. Also environmental legislation is becoming more stringent and businesses that take action to ensure that they are complying with the law avoid fines and prosecution.

We have seen that legislation can force action by businesses, but it is also possible to take action without external pressure. For example, ASDA has improved the sourcing of local produce and often promotes local and regional produce. This feeds back into the local economy, enhances the viability of other local businesses and reduces emissions and congestion that result from the long-distance transportation of goods.

Waste is also a major issue for businesses. Waste impacts on many different areas of concern within the environment, from the excessive use of materials and resources (e.g. unnecessary packaging), the production of pollutants as a by-product of the manufacture of goods and the safe disposal of waste generated. Pressure on landfill space is at an all-time high and the identification of suitable alternative means of disposal presents some difficult problems. Businesses increasingly recognise this as an area where by designing out waste where possible (e.g. through reduced packaging) and identifying opportunities for reuse and recycle. This represents an opportunity for many businesses to drive down costs and even improve profitability.

The phrase 'reduce, reuse, recycle' summarises the core waste-reduction process. By addressing waste management in this order, managers can ensure that they are achieving the maximum reduction in creation of waste:

<p style="text-align: center;"><b>Reduce</b></p> <p style="text-align: center;">Elimination at source is far more effective than dealing with waste as a product.</p> <p style="text-align: center;">Monitor what is coming in and where it goes.</p>
<p style="text-align: center;"><b>Reuse</b></p> <p style="text-align: center;">Can waste be turned into a new resource? Shredded paper can become packaging, broken items might be repaired, obsolete items put to an alternative use.</p>
<p style="text-align: center;"><b>Recycle</b></p> <p style="text-align: center;">Businesses are starting to get much better at turning waste into new products. Remaining waste (after reduction and reuse) should be separated into recyclable materials.</p>

Environmental awareness can bring a number of advantages other than reduced business costs and avoiding legal penalties. These include:

- Improved business and brand reputation – environmental friendliness can be a highly effective marketing tool
- Recruitment of employees who commit themselves to ethical company objectives
- Greater customer loyalty from growing number of ethical consumers

The majority of consumers care (and like to show they care) about the environment. So we have fair trade coffee, tea, chocolate, etc. Adverts showing toilet paper businesses replanting trees, supermarkets also offer recycling of waste products to customers, such as battery bins, and loyalty points for reusing carrier bags.

Working with environmental groups, and learning about the supply chain impact of activities, improves efficiency and helps achieve long term sustainability, not just for the business but also for the wider environment. For businesses, environmental issues used to be seen as a threat, a limit on behaviour and an increase to costs; however, today they are seen somewhat differently. Environmental factors consistently give rise to a key message – action upon the environmental impact of a business's activity presents an opportunity to reduce costs and develop a competitive edge. On the other hand, failure to act could spell financial, as well as an environmental, disaster.

## Discussion themes

What is meant by business ethics?

What is CSR?

An ethical business cannot be a profitable business. Discuss.

Identify the main areas of legislation and how these impact on business activity.

What is meant by negative externalities?

Explain the importance to businesses of taking environmental factors into account when setting business objectives.

Business activity will always harm the environment. Do you agree with this statement?

Calculate your own environmental footprint.

[http://footprint.wwf.org.uk/?\\_ga=1.46160544.68987279.1463490179](http://footprint.wwf.org.uk/?_ga=1.46160544.68987279.1463490179)

Most zero-hours workers do not earn the living wage.

<http://www.thisismoney.co.uk/money/news/article-2616675/Most-zero-hours-contract-workers-earn-living-wage.html>

<http://www.thesun.co.uk/sol/homepage/news/6207537/Workers-making-John-Lewis-Monty-the-Penguin-toys-earn-40p-an-hour.html>

Tesco delayed payment to suppliers

<http://www.bbc.co.uk/news/business-35408064>

Starbucks and ethical standards

<http://www.theguardian.com/sustainable-business/2015/apr/21/starbucks-caffe-nero-costa-tesco-ethical-coffee-rankings>

Fracking could generate 64,000 jobs

<http://www.theguardian.com/environment/2014/apr/24/fracking-generate-investment-jobs-industry-report-uk>

Animal Welfare

<http://www.orbuk.org.uk/article/farm-animal-welfare-the-business-agenda-for-smes>

SeaWorld's Profits Fall

<http://www.theguardian.com/us-news/2015/aug/06/seaworld-profits-plunge-customers>

ASOS animal welfare policy

<http://www.asosplc.com/corporate-responsibility/our-products/animal-welfare.aspx>