

UNIT 4: ETHICAL FACTORS

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.

Ethics are the shared attitudes and principles held by the employees within a business. An **ethical code of practice** states how a business believes its employees should respond to situations that might challenge the values of the business. An **ethical stance** refers to a business that has introduced an ethical policy.

An **ethical business culture** exists when all employees in a business behave in a moral manner as a normal part of their working lives. This offers businesses a number of advantages in terms of marketing, particularly in relation to PR.

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 their activities and make a corporate responsibility report available to the public, similar to the way in which they audit their accounts.



KEY ETHICAL ISSUES

- **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 employees further down the supply chain are not being paid a living wage.
- **Supplies** – 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.
- **Customers** – Customers want a quality product or service at a fair price. Businesses which act unethically fail to fulfil this moral commitment to customer.
- **Environmental Ethics -Environmental pressure groups (e.g. Greenpeace)** have become increasingly effective in influencing business decision makers.
- **Animal welfare** – This 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.

ETHICS AND PROFITABILITY

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

X 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.

X 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.

However, an ethical approach can prove beneficial:

✓ **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.

