**Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Introduction to Business**

**Ch. 4 - Business Ethics & Social Responsibility**

What is Ethics?

* Is it right for companies to sell names and addresses of individuals to others?
* Is it ethical for a person to send personal emails from work?

**Ethics** - Set of moral principles by which people conduct themselves personally, socially or professionally.

* Should you? cheat, steal, recycle, etc.

Business Ethics

* A set of laws about how a business *should* conduct itself.
* To be successful a business MUST operate: legally, humanely, etc.

Legal Responsibility - Triangle Shirtwaist Factory Company in New York City

* An overcrowded factory with inadequate exit doors and fire escapes.
* March 26, 1911 - 146 workers died in a fire
* One of the worst industrial tragedies in the United States.

**Sweatshops** – factories that have unsafe working conditions, treat workers badly & pay poorly.

**OSHA - Occupational Safety & Health Administration**

* Division of Department of Labor that sets & enforces work-related health & safety rules.

Businesses that break laws are subject to:

* Fines
* Lawsuits
* New regulations

Code of Ethics

* A strict set of guidelines for maintaining ethics in the workplace.
* Cover everything from employee behavior to environmental safety.

Ethics as Good Business

* If you violate *Government Regulations* you can be fined or go to jail.
* If you violate a *Companies Code of Ethics* you might be fired or lose your license.

Why do unethical practices matter?

* Not all unethical practices are covered by the law and you may never be caught. However, it can still affect your business indirectly.
	+ Unhappy customers can hurt your business.
	+ Remember, most businesses rely on repeat customers & word of mouth to get new customers.

Important Ethical Questions to Ask Yourself

* 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?

Ethical decision-making leads to more business activity & more efficient production of goods & services.

* What does *mutual trust* have to do with this?

What you should do if you find yourself in an ethical dilemma:

* Identify the ethical dilemma.
* Discover alternative solutions.
* Decide who might be affected.
* List the probable effects of the alternatives.
* Select the best alternative.

Remember – Making ethical decisions involves more people than just YOU!

**Your Ethical Dilemma?**

5 sentences of a dilemma you have experienced.

* What happened?
* What did you do?
* How did it affect others?
* What will you do next time?

Fast Review, pg. 53

1. How do companies benefit by enforcing their own Codes of Ethics?
2. Why does it pay to treat customers ethically?
3. What are some important ethical questions to ask?

**Social Responsibility** – the duty of a business to do what is best for the good of society.

Businesses have an ethical obligation:

* To provide safe products
* Create jobs
* Protect the environment
* Contribute to the overall standard of living in society

**Conflict of Interests** – When a business is tempted to put *profits* before social welfare.

What are the effects of unethical behavior?

Did you know - Consumer & employee theft costs billions of dollars each year causing producers to make up for their losses by charging more for their products.

Responsibility to Customers

**FDA – Food & Drug Administration** – Government agency that protects consumers from dangerous or falsely advertised products.

Labeling for over-the-counter medications

* 1982 – Johnson & Johnson were faced with a Health Care Crisis, people died from poisoned Tylenol capsules.
* Johnson & Johnson reacted rapidly by:
* Alerting the public of the danger
* Recalled all bottles of its product (cost of $100M)
* Now – Tamper-proof bottles

Fair Competition between companies is good for the marketplace.

* Some may use unethical means to eliminate competition.
* Many often conspire with other companies to control the market of a product.
* Limiting consumer choice.
* Increasing the amount consumers must pay.

1940 – Entertainment Studios enrolled in the Film Industry

* They owned most theatres, therefore controlling the industry.
* Smaller studios made movies, but couldn’t get them shown.
* Government sued the big studios and forced them to sell their theatres so the small studios were able to compete.

Responsibility to Employees

* Businesses have a social responsibility to create jobs & provide safe working conditions, equal treatment and fair pay.
* Workers had far fewer rights less than 100 years ago.

Governmental Laws to Protect Workers

**Equal Pay Act** (1964)

* Requires that men and women be paid the same wages for doing equal work.
* The gap has been filling slowly over the past 40 years (apx. ½ a penny each year).

**American with Disabilities Act** – Bans discrimination against persons with physical or mental disabilities.

Child Labor Laws, Rights of Workers to Organize, etc.

Codes of Ethics have been developed in many workplaces.

United Airlines has a strict policy against sexual harassment on the job.

* What do u do?
* How to prevent it?
* Get help?

Responsibility to Society

* In the 19th Century and even into the 20th Century many polluted and destructed the environment in order to profit.
* Environmental pollution became an ethical issue.
* Environmental Protection Agency
* EPA (created in 1970)
* Federal agency that enforces rules that protect the environment and control pollution.
* Many companies today plan for their “special responsibility” just like they plan for production
and sales of their products.
* **The Body Shop** is very environmentally conscious and uses biodegradable materials in their products.
* **Los Angeles Times** uses recyclable paper and environmentally friendly soy-based ink.
* **Honda & Toyota** offer eco-cars which reduce air pollution.

Fast Review, pg. 57

Define social responsibility.

What is a conflict of interest?

What do companies adopt in the workplace to treat their employees fairly?