**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?

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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.

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Define social responsibility.

What is a conflict of interest?

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