



JUMP START

As part of her MBA program, Brittney was assigned a team project to develop a code of ethics for a local company. Brittney's team agreed to write a code of ethics for the Triad Bakery, which by now had almost 200 employees. Members of the team interviewed the three owners, as well as managers at all levels of the company. They concluded that the company expected all employees to be honest in their dealings with customers and suppliers and to treat customers with respect. Brianna and Emilio liked the code of ethics developed by Brittney's team and wanted to adopt it for their company. How should the partners go about distributing this guide to employees?

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GOALS

Explain the importance of business ethics

Describe how businesses can be socially responsible

KEY TERMS

business ethics, p. 105

code of ethics, p. 106

bribe, p. 107

social responsibility, p. 108

Business Ethics

Businesses are expected to operate ethically and to be socially responsible. The general public expects a business to be honest and fair in its business dealings and to help communities become better places in which to live. A business's good reputation helps to attract customers.

Most business leaders want their employees to be honest and fair in all business dealings. Ethical behavior on the part of those who represent a business can be a major factor in the success of the business.

Code of Ethics

Ethics are the principles of conduct governing an individual or group.

Business ethics are rules about how businesses and their employees are

TEAMWORK

Working in groups, discuss what behaviors should be expected of students in a class at your school. Compile a list, including such things as being on time, doing your own homework, and being truthful in what you say. After listing what is expected, write up a code of ethics for your class.

expected to behave. Ethical behavior involves conforming to those rules. Unethical behavior violates those rules. In dealing with business ethics, a code of ethics can help a business identify proper behavior expected of all employees.

A **code of ethics** is a set of rules for guiding the actions of employees or members of an organization. Codes of ethics address topics such as protecting confidential business information, treating others with respect, and showing integrity in all business conducted. Once established, the code should be a guide of what is expected of all employees within that company. A sample code of ethics appears below.

The code should be worded in terms of acceptable behavior rather than in forbidden action. The guidelines for writing a code of ethics shown below are useful in drawing up the code.

1. Determine the purpose of the code.
2. Consider involving employees in writing the code.
3. Determine rules or principles to which all members of the organization will be expected to adhere.
4. Include information about how the code will be enforced.
5. Write the code to meet the needs and values of the organization.
6. Determine how the code will be implemented and where it will be published or posted.
7. Determine how and when the code will be reviewed.

Even with a well-developed code of ethics to guide employees, they may still encounter situations where making the right choice poses a dilemma.

CODE OF ETHICS

- We serve as ambassadors of goodwill for our company in all of our contacts.
- We keep the interests of our clients and customers first in all of our dealings.
- We settle for only high-quality effort and attainment in everything we do.
- We protect all company business information that is confidential.
- We value time and use it wisely, always focusing on tasks that benefit our company.
- We use company equipment and supplies for business use only.
- We recognize the importance of teamwork and strive to be effective members of our team.
- When disagreements arise, we will treat each other with respect and dignity.
- We will reject bribes, expensive gifts, or payments from any person or business with whom we do business.
- We will help our company to be socially responsible and will work to make our communities better places in which to live.
- We understand that any violation of this code of ethics will result in appropriate action being taken by an authority of the company.

Ethical Conduct

Top management should set a good example of ethical conduct for their employees. Executives and leaders who exhibit strong moral character and make ethical business decisions are important in setting an ethical standard of behavior for a business.

Putting codes of ethics into practice is not always easy. In some businesses, bribes may be demanded before a transaction can be completed. A **bribe** is a forced payment of money or a favor required before an official or decision maker will make a favorable decision. Bribery is illegal in the United States, but in other countries, it is legal. Doing business in those countries may require management to make difficult decisions.

A company must earn a reasonable profit, so it must remain competitive. To maintain a competitive edge while behaving ethically can be a challenge. Situations requiring ethical decision making could include the following.

- A business wants to expand into a profitable market in another country, but to do so, it must give expensive gifts to key government officials.
- A company discovers a minor defect in a popular and quite profitable product it is currently selling. Only the officials of the company know about the defect.
- Important, secret information about a competitor's product is given to top management by an employee who is a computer hacker.

Some companies concerned about ethical behavior have established educational programs on ethical conduct. Program topics range from dealing with business practices in other countries that differ from U.S. practices to reinforcing personal ethical standards such as not taking supplies and materials home for personal use. Employees are instructed on how to make ethical decisions on the job.



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Is bribery an ethical way to conduct business?

CheckPOINT

How does a code of ethics help to guide business behavior?

Social Responsibility

Another important concern of U.S. businesses is being socially responsible. **Social responsibility** refers to the duty of a business to contribute to the well-being of the community and society at large. When a company tries to be socially responsible, it must consider the interests and concerns of many groups. Some of the groups may have needs that conflict with each other. Common social concerns include protection of the environment, inclusion of minorities and women in the workplace, employment of physically challenged and older workers, and a safe and healthy work environment. In addition, U.S. businesses must practice social responsibility when conducting business globally.

Environmental Protection

Conservation is preserving scarce natural resources. It is a goal of many companies. Lumber companies, for instance, may plant trees to replace those they remove. Some mining companies restore the environment to its original condition after extracting raw materials. Whenever possible, environmentally responsible companies preserve or restore natural resources.

When the environment is contaminated with by-products of human activity, the result is *pollution*. Socially responsible businesses that cause pollution of lakes and rivers have taken action to eliminate or correct those operations. Green technologists and engineers are designing new equipment and systems to reduce waste and pollution that will help businesses in these efforts.

The federal government has set standards for water and air quality. These standards are monitored and enforced by the Environmental Protection Agency (EPA). Businesses and the EPA work closely together to develop alternatives and make the environment healthier.

The American Recovery and Reinvestment Act of 2009 will help encourage technological advancement in science and health. Investment in environmental protection and other infrastructure areas should provide long-term economic benefit. The EPA will manage \$7 billion in projects and programs that should help achieve these goals.

Workplace Diversity

Businesses are increasingly sensitive to the roles of women, ethnic groups, the physically challenged, and older workers in the workplace. The workforce of



COMMUNICATE

A local factory that employs almost half the workforce in your small town has just received notice from the EPA that it is violating clean air standards. Write a letter to the business owner expressing your concern about the pollution. In your letter, suggest ways for the company to address its air pollution problem.

a business should reflect the various groups that constitute the community. Members of these groups must have equal access to education, training, jobs, and career advancement. A major challenge facing businesses today involves learning how to manage a workforce made up of workers who represent the diverse cultures in our society.

Another issue involves the removal of employment barriers, often referred to as *glass ceilings*, for women and minorities. Equal opportunity laws have eliminated sex-based job descriptions and requirements. Women and minorities today effectively perform in jobs once available only to white male workers. Employers have also taken steps to provide access for wheelchairs and other accommodations for those with sight or hearing limitations to meet the requirements of the Americans with Disabilities Act (ADA) and other legislation.

Other laws have eliminated bias against older workers. The Age Discrimination in Employment Act does not allow employers to use age as a basis for decisions in employment, promotions, or terminations. It protects persons aged 40 and older.

Job Safety

Having a safe place in which to work is important to all employees. They should be able to work in an office or factory free from risks that could cause accidents or illnesses. In addition to protection from physical harm, workers need to know how to deal with the unexpected. Safety also involves training in how to work safely and what to do in case of an emergency. To protect workers, most companies have put a variety of programs into practice, often in cooperation with the Occupational Safety and Health Administration (OSHA), a government agency that sets, regulates, and enforces safety standards.

The workplace is also being made healthier. Clauses that relate to employee well-being are often included in union contracts and company policy manuals. Some companies sponsor seminars on getting proper exercise, eating a balanced diet, and maintaining a healthy lifestyle. A healthy workforce is a productive workforce. Employees who have good health generally have fewer work absences, are more alert, and make fewer errors than other workers.



How can businesses improve job safety?

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NETBookmark

Social responsibility refers to the duty of a business to contribute to the well-being of society. Ben & Jerry's Ice Cream is well known for its efforts to be a socially responsible business. Access www.cengage.com/school/business/21biz and click on the link for Chapter 4. Browse the Ben & Jerry's website and describe some examples of social responsibility you find there. (Hint: Click the Activism link on the home page.) Then follow the Mission Statement link and name the three components of the company's mission. Which do you consider the most important—or do you think all components are equally significant?

www.cengage.com/school/business/21biz

International Business Relationships

Many U.S. companies have operations in other countries. This can have a positive effect on another country's economy. However, while conducting business internationally, U.S. companies should comply with societal expectations and standards. They must act as good citizens and be aware of the other country's customs to avoid offensive actions. If U.S. companies have production facilities in another country, they should not pollute or harm the environment in any way.

Unfair labor practices, such as child labor, are often found in other countries. By working only with foreign businesses that adhere to fair labor standards, U.S. companies are operating in a socially responsible manner. U.S. businesses have a responsibility to operate in a way that benefits the other country and its citizens.

Social Responsibility Benefits and Costs

Businesses benefit from being socially responsible. It is good for their company image, it reduces the need for government actions against them, and it helps to improve the quality of life in the community. Today, more than ever, workers and consumers are aware of social responsibility among businesses.

While many businesses want to be socially responsible, they have to deal with the fact that social responsibility often involves costs that reduce profits. Money spent for nonpolluting technology, for building renovations to remove hazards, for wellness and rehabilitation programs, and for social projects are business expenses. Businesses contribute significantly to the economic life of a community. Yet to remain in business and continue to make such contributions, they must earn a profit.

Businesses that are not profitable will close their doors, will lay off employees, and may cause local economies to suffer. Striking a balance between being socially responsible and earning a reasonable profit is a challenge for businesses of all sizes.

CheckPOINT

What does the term "social responsibility" mean?
