Business Ethics

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Coca-Cola exploits water supplies from rural communities to gain maximum profit on products.

A - Should they continue? Why.

B - Should they keep on exploiting these resources? Why.

Overview of Business Ethics

Definition: Business ethics are the moral principles that are, or should be considered in business decision-making. (i.e. what is judged to be right or wrong.)

Overview of Business Ethics

- Ethical firms act socially responsible towards their stakeholders and towards the natural environment (such as minimizing waste)
- They pay their workers on time, do not hire people below the legal age, provide good working conditions
- They do not use misleading marketing or deal with corrupt suppliers/sponsors

Ensuring Business Ethics: Audits

- Businesses have to be prepared to have external social audits conducted
  - Audits are **reports on the ethical and social stance of a business,** examined by an external agency

- The social audit reports **external matters** (such as involvement in community projects) and **internal issues** (such as waste management processes)

Benefits of Being Ethical

1. They attract and retain good quality workers
2. They attract new customers and retain existing ones
3. Social responsibility generates good publicity and public relations

Downside of Being Ethical

- Being ethically and socially responsible can bring benefits, but also compliance costs
- Businesses may not be able to pursue the cheapest option while being ethically responsible

Opportunity: Google

- Attracts and retains good quality workers as a result of its astonishing working environment
- By giving employees access to facilities such as:
  - Free buffet meals, gym access, laundry and other on-site benefits
    - Google is able to maintain an ethical standard of procedures

Opportunity: Starbucks

- July 2018 - Starbucks Coffee Company announced it will eliminate single-use plastic straws from its more than 28,000 stores
  - Instead making a strawless lid or alternative-material straw options available, around the world.

→ The move will eliminate more than one billion plastic straws per year from Starbucks stores

Case Study

- In 2013, the “horsemeat scandal” spread throughout Europe and affected businesses
- Food products advertised as containing beef actually contained horsemeat, by up to 100% in some cases
- Retailers such as Tesco and Burger King cut all links with the suppliers found guilty by the European authorities

Business Threat: L'Oreal

- L'Oreal labelled some of its products as '100% vegan' even though the products were tested on animals
  - L'Oreal is known for testing its products on animals
  - In 2017, vegan activists called out L'Oreal's hypocrisy for calling its shampoo vegan while harming animals in its creation

Business Threat: Yelp

- In 2016, one of Yelp's employees posted a complaint of the awful working conditions on Medium
  - Hurt Yelp's reputation
  - Yelp fired the employee

Pop Quiz!

1. State three ways in which taking ethical actions benefits a business.
2. Give an example of a real-world situation when a business took an ethical action(s) that served as a opportunity
    i. (Does NOT have to be one of the examples we mentioned)