

Chapter 23

Social Responsibility

(Investors/ Employees/ Suppliers/ Customers/ Government/
Local Communities; Business Ethics; The Environment; Effects on
Costs and Revenues)

2015 Q2 (C)

Protecting and managing Ireland's environment is a shared responsibility. It involves Government and public bodies; businesses and industry; as well as members of the public, working in partnership." Environmental Protection Agency (EPA).

Discuss how a business could operate in an environmentally conscious way. (20 marks)

MS: 4 @5m(2+3) (Similar Q asked in 2010 with examples)

1. A business could look to become more **sustainable** by introducing **cleaner production methods**, substituting some raw materials for more **renewable sources** and changing towards more **energy sources** that are renewable.
 2. A business could try to improve its **waste disposal**. The business could adopt the **4Rs: reduce, reuse, recycle and recover**. If waste is produced, every effort should be made to reuse it, if practicable. The business should ensure **safe disposal of waste** e.g. no dumping in rivers
 3. A business could look to **reduce pollution** by **changing practices and processes** to minimize the production of waste/pollutants.
Reducing pollution rather than **controlling** pollution (prevention) is the aim. This **reduces the risk to the environment** and society living in it.
 4. Develop a **formal written statement (Code of ethics)** setting out the **standard of behaviour** expected from a business when dealing with the **environment** and the wider community in which it operates. This will help create a culture of **openness, consultation, honesty** and **awareness** of environmental issues etc...
- Others: Regular environmental audits; Advice from the EPA (Environmental Protection Agency); (rewarding "Green" initiatives); Honesty in reporting accidents; Market Research to create greener products; Consult stakeholders; Planting of trees/green spaces.**

2012 Q2 (C)

- (i) Define the term 'Business Ethics'.
 (ii) Outline how ethical behavior in business can be encouraged. (15marks)

MS: 5 marks (2+3) 2 @ 5 marks (2+3)

(i) It is a set of **moral rules and standards** that provide **guidelines** for **right and truthful behaviour** in business situations with its **various stakeholders** such as employees, customers, suppliers and the community in which it operates.

Business ethics is concerned with **right and wrong, fairness, honesty and respect in a business context, regardless of the impact on profits.**

(ii) **Establishing a code of ethics**

A code of ethics is a **formal written statement** setting out the **expected behaviour** for its employees/managers when dealing with employees, customers and the community in which it operates.

This gives employees and managers standards of behavior to follow, making them more ethical.

Encouraging 'whistle blowing'

This involves **encouraging staff to report unethical behaviour** by creating a climate where whistle blowing is **rewarded**.

This will **discourage unethical behavior** as employees know it will be reported.

Staff Training

A code of ethics should be presented to staff at **induction training** and **reminder training** should include modules on ethical behaviour.

Reminding and **leading by example in actions** will **teach** employees to act in a more ethical manner.

Other: Discipline procedures/rewards (Unethical behaviour could be punished by **fines, demotion or dismissal**.)

4 given but you only needed 2 for full marks

2017 Q2 (B)

- (i) Explain the term code of ethics.
- (ii) Outline the benefits and challenges for a business of introducing a code of ethics. (20m)

(i) A code of ethics is a **formal written statement** created by a business, setting out the **expected behaviour** for its **employees/managers** when dealing with **employees, customers and the community** in which it **operates**.

(ii)

Sets High Standards

This gives employees and managers **standards of behavior to follow**, making them more ethical. By explicitly stating expected behavior, its **easier** for staff to know what is expected of them.

Encouraging 'whistle blowing'

This involves **encouraging staff to report unethical behaviour** by creating a climate where whistle blowing is **rewarded**.

This will **discourage unethical behavior** so the business is less likely to have their image tarnished by unethical behavior being reported about them in media.

Changing Norms

It can be very **difficult to change culture and practices** within a workplace. Staff may feel that a code of ethics being introduced means they **aren't trusted** and that the management thinks they've done **something wrong**. They may be **resistant** to any changes introduced.

Costs

A code of ethics should be presented to staff at **induction training** and **reminder training** should include modules on ethical behaviour. This would add to the time and money spent by the business on training.

2016 Q2 (C)

Corporate Social Responsibility refers to how businesses interact with their stakeholders on a daily basis including investors, employees, suppliers, customers, and government.

Discuss the social responsibilities of a business to any four stakeholders referred to above. (20 marks)

MS: (MS for similar Q asked in 2009) 4 @ 5 Marks (1+2 +2)

1. Investors: A business should **present true and fair reporting of accounts** and give investors a **fair return in dividends**, and it should **avoid excessive payments to senior management**. It should act in accordance with the **Memorandum and Articles of Association**.

2. Employees: Adhere to **Employment Law, Health and Safety Regulations** and provide a **safe working environment**.

They should pay a **fair wage to all employees**, treating them all with **respect and dignity**, respecting proper **working hours, minimum wages** etc... **Equal opportunities for promotion and pay** should be given to all employees.

3. Suppliers: Pay **in full and on time** for goods purchased. They should allow **open tendering** i.e. it should be an **open and fair process**, not choosing a friend's business.

4. Customers: A business should use **fair and honest advertising** and give the customer their **right to complain**, and look in to their complaints. Goods sold should be of **merchantable quality**, match their **description**, be **fit for purpose** etc...

5. Government: A business should pay all their taxes due to the Government **in full and on time (Corporation Tax, VAT, collect PAYE)**. They shouldn't **evade** paying their taxes. They should stick to all relevant legislation – Equality Act, Company Law and make sure to listen to government bodies e.g. Environmental Protection Agency.