KEY TERMS AND DEFINITIONS

business ethics  The principles and standards that determine acceptable conduct in business.

ethical issue  An identifiable problem, situation, or opportunity that requires a person to choose from among several actions that may be evaluated as right or wrong, ethical or unethical.

bribes  Payments, gifts, or special favors intended to influence the outcome of a decision.

plagiarism  The act of taking someone else’s work and presenting it as your own without mentioning the source.

codes of ethics  Formalized rules and standards that describe what a company expects of its employees.

whistleblowing  The act of an employee exposing an employer’s wrongdoing to outsiders, such as the media or government regulatory agencies.

Social responsibility  A business obligation to maximize its positive impact and minimize its negative impact on society.

STUDY QUESTIONS

1. Define business ethics. Who determines whether a business activity is ethical? Is unethical conduct always illegal?
   Business ethics refers to principles and standards that determine acceptable conduct in business.
   Ethical behavior is determined by the public, government regulators, interest groups, and competitors.
   Unethical conduct is not always illegal, but it does not conform to the principles of society.
   Ethics goes beyond legal issues. It attempts to build trust among the participants of business.

2. Distinguish between ethics and social responsibility.
   Ethics relates to an individual’s values and standards and the decisions he or she makes.
   Social responsibility concerns the impact of a business’s activities on society.

3. Why has ethics become so important in business?
   The negative publicity received by many unethical business practices has made consumers very much aware of ethical issues.
   Consumers are putting pressure on businesses to behave more ethically with all the parties involved directly or indirectly in business affairs.

4. What is an ethical issue? What are some of the ethical issues? Why are they ethical issues?
   An ethical issue is an identifiable problem, situation, or opportunity that requires a person to choose from among several actions that may be evaluated as right or wrong, ethical or unethical.
   A conflict of interest exists when a person must choose whether to advance his or her own personal interest or those of others.
   A conflict of interest is an ethical issue because the
individual must determine whether choosing his or her own interest is ethically right or wrong. The amount of information provided to consumers about differences between products is an ethical issue. If consumers cannot clearly understand that two similar products are sold at different prices, then the consumer is likely to be cheated. Product labeling may be an ethical issue when the products concerned are harmful to consumers. Businesses have to inform consumers about the harmful properties of the product, even though this warning is likely to prevent consumers from purchasing this product.

5. **What is a code of ethics? How can one reduce unethical behaviour in business?**
   A code of ethics is a set of formalized rules and standards that describes what a company expects of its employees. One can reduce unethical behaviour in business by developing and promoting a code of ethics, and by using different methods such as training, group discussions, or corporate communications.

6. **List and discuss the arguments for and against social responsibility by business. Can you think of additional arguments (for or against)?**
   The arguments for social responsibility include (1) business has helped create problems and should help to solve them; (2) business has the financial and technical resources to help solve problems; (3) as a member of society, business should do its fair share to help others; (4) social responsibility can help prevent increased government regulation; and (5) social responsibility helps to ensure economic survival.

   The arguments against social responsibility include (1) social responsibility detracts from the profit-making objectives of business; (2) participation in social responsibility programs gives business power at the expense of other segments of society; (3) business may not have the expertise to solve social problems; and (4) social problems are the responsibility of government agencies.

7. **What responsibilities does a business have toward its employees?**
   A business should provide employees with a safe workplace, pay them adequately, listen to their grievances, and treat them fairly.

8. **What responsibilities does business have with regard to the environment? What steps have been taken by some responsible businesses to minimize the negative impact of their activities on the environment?**
   Businesses have the responsibility of maintaining a healthy environment. Businesses must take responsibility for their actions as part of society.

   Some companies focus on prevention as part of environmental responsibility. Others view the protection of the environment as a way of reducing costs and increasing profits. More companies are adopting social responsibility audits to determine how effective the programs have been and to help develop future programs.

9. **What are a business’s responsibilities toward the community in which it operates?**
   Businesses have responsibilities to the general welfare of the communities and societies in which they operate. Many businesses simply want to make their communities better places for everyone to live and work.