

## Chapter 3 Business Ethics and Social Responsibility

### 1. Concepts of Business Ethics, Social Responsibility and Stakeholder

Concept	Definition
<b>Business Ethics</b>	A set of moral rules that governs (1) <b>business activities</b> and (2) <b>decisions</b> .
<b>Social Responsibility</b>	The responsibility taken by a business to all its (3) <b>stakeholders</b> . It emphasises that businesses should strike a balance between making profits and contributing to society.
<b>Stakeholder</b>	A (4) <b>person</b> or a (5) <b>group</b> who can affect or is affected by the business's actions or decisions.

### 2. Businesses' Responsibilities to Stakeholders

Stakeholders	Areas of concerns	Business's responsibilities
<b>Owner/ shareholder</b>	<ul style="list-style-type: none"> <li>• Business's (6)<b>profitability</b></li> <li>• Business's long-term development</li> </ul>	<ul style="list-style-type: none"> <li>• Generate reasonable (7)<b>returns</b></li> <li>• Consult with owners/ shareholders when making important decisions</li> <li>• Disclose essential financial information as soon as possible</li> </ul>

<p><b>Managers/ Directors</b></p>	<ul style="list-style-type: none"> <li>• (8)<b><u>Remuneration</u></b> and bonus to be entitled</li> <li>• The (9)<b><u>power</u></b> of management</li> </ul>	<ul style="list-style-type: none"> <li>• Provide reasonable remuneration</li> <li>• State clearly the duties and authority of managers/directors</li> </ul>
<p><b>Employees</b></p>	<ul style="list-style-type: none"> <li>• Salaries and fringe benefits</li> <li>• Working environment, training and promotion opportunities</li> <li>• (10)<b><u>Job security</u></b></li> </ul>	<ul style="list-style-type: none"> <li>• Offer reasonable remuneration</li> <li>• Build a safe and harmonious working environment</li> <li>• Provide training and promotion opportunities</li> </ul>
<p><b>Customers</b></p>	<ul style="list-style-type: none"> <li>• Price and quality of goods and services</li> <li>• (11)<b><u>After-sales service</u></b> and (12)<b><u>refund policy</u></b></li> </ul>	<ul style="list-style-type: none"> <li>• Deliver quality goods and services at a reasonable price</li> <li>• Provide accurate (13)<b><u>product information</u></b></li> <li>• Provide efficient (14)<b><u>after-sales services</u></b></li> <li>• Store customers' information properly and protect their (15)<b><u>privacy</u></b></li> </ul>

<p><b>Creditors</b></p>	<ul style="list-style-type: none"> <li>• (16)<u>Repayment history</u> and (17)<u>creditworthiness</u> of the business</li> <li>• Risks of lending loans to the business</li> </ul>	<ul style="list-style-type: none"> <li>• Repay loans and interest on time</li> <li>• Provide accurate financial information</li> <li>• Discuss with creditors immediately if there is difficulty in repaying loans</li> </ul>
<p><b>Suppliers</b></p>	<ul style="list-style-type: none"> <li>• Repayment ability</li> <li>• (18)<u>Terms of contract</u></li> </ul>	<ul style="list-style-type: none"> <li>• Settle payments on time</li> <li>• Discuss with suppliers in deciding the terms of contract</li> </ul>
<p><b>Government</b></p>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations of the business</li> <li>• Tax payment from the business</li> </ul>	<ul style="list-style-type: none"> <li>• Comply with laws and regulations in operations</li> <li>• Report revenue and expenses honestly to the tax authority and pay tax on time</li> </ul>
<p><b>Society/ community</b></p>	<ul style="list-style-type: none"> <li>• Impacts of business operations on society/ community</li> <li>• (19)<u>Environmental protection</u> measures taken by the business</li> <li>• Involvement in (20)<u>charity work</u></li> </ul>	<ul style="list-style-type: none"> <li>• Minimise the damage to the environment in production</li> <li>• Take the community's concerns into account when making decisions</li> <li>• Participate in charity work</li> </ul>

### 3. Reasons for Fostering Business Ethics and Fulfilling Social Responsibility

Reasons	Descriptions
<p><b>Generating</b> <b>(21)<u>goodwill</u></b></p>	<p>Businesses can build up reputation and favourable attributes by fostering social responsibility. The following are the benefits of generating goodwill:</p> <ul style="list-style-type: none"> <li>• <b>Increasing staff (22)<u>morale</u></b>: Employees will be more willing to work if the business builds a good corporate image.</li> <li>• <b>Building closer customer relationship</b>: Customers have greater confidence in buying from the business. In the long run, the business can build customer <b>(23)<u>loyalty</u></b>.</li> <li>• <b>Raising capital more easier</b>: A business with good corporate image can attract investors to invest.</li> </ul>
<p><b>Minimising</b> <b>risks of failure</b></p>	<ul style="list-style-type: none"> <li>• Business can minimise the risks of breaching the law and facing penalty</li> </ul>

#### 4. Impacts of Business Ethics and Social Responsibility on Business Decisions

<p><b>Managers’ concern</b></p>	<ul style="list-style-type: none"> <li>• (24)<b><u>Laws and regulations</u></b></li> <li>• Possible effects of the decision on (25)<b><u>stakeholders</u></b></li> <li>• Guidelines on business ethics and social responsibility</li> <li>• The loss that the business may face</li> <li>• Impacts of the decision on the (26)<b><u>environment</u></b> and the (27)<b><u>public</u></b></li> <li>• Other alternatives available</li> </ul>
<p><b>Possible measures</b></p>	<ul style="list-style-type: none"> <li>• Avoid using exaggerated or misleading information in advertisements</li> <li>• Sponsor employees to enrol in external job-related courses or attain (28)<b><u>professional qualifications</u></b></li> <li>• Select raw materials carefully and use (29)<b><u>safe</u></b> and green materials in production</li> <li>• Use (30)<b><u>eco-friendly</u></b> equipment to reduce pollution</li> </ul>

#### 5. Measures to Raise Ethical Standards of Employees

Measures	Descriptions
(31) <b><u>Training</u></b>	Organise training sessions on business ethics and the business’s ethical standards
(32) <b><u>Mission Statement</u></b>	State the purposes of the business and objectives that the business hopes to achieve
(33) <b><u>Codes of ethics</u></b>	Provide behavioural guidelines for employees
(34) <b><u>Corporate culture</u></b>	Build working atmosphere that encourages employees to maintain business ethics at work