



Unit 20: Business Ethics

Delivery guidance

Approaching the unit

This unit introduces learners to the concept of business ethics and the application of ethical values to business behaviour. The topic covers all aspects of business conduct, including boardroom strategies, how organisations treat their suppliers, sales techniques, accounting practices, and how organisations respond to wider issues of social concern such as sustainability. Business ethics goes beyond the legal requirements for an organisation. The way a company behaves is down to its own discretion.

When introducing this unit, it is important that learners have a clear understanding of the difference between the concept of business ethics and corporate social responsibility (CSR). This can sometimes be difficult for learners to understand and is probably best explained with reference to specific examples.

Most organisations will understand the importance of corporate social responsibility and many large corporations are expected to publish CSR policies encompassing such aspects as environmental initiatives and community engagement projects. Essentially, the idea behind CSR is that the resources allocated to these initiatives may, in the long run, generate direct financial benefits for an organisation. Sales and market share may increase, brand recognition may be strengthened and customer loyalty and retention can be enhanced, all of which can contribute to increased profitability and shareholder value.

Business ethics is essentially concerned with the right and wrong ways of conducting business. You should encourage your learners to investigate the CSR policies and initiatives of major corporations whose business behaviour is not acceptable or ethical. An example of this would be motor vehicle manufacturers who promote low emission results from their vehicles as part of their CSR strategy, but are found to have used unethical business practices in order to hide the real outcomes of emissions tests. A similar case would be clothes retailers who champion community initiatives in developing countries as part of their CSR strategy but are then discovered to be paying low wages, employing children, or operating in unsafe factories. A final example concerns some of the financial institutions who again champion CSR as a key part of their business strategy, but are then discovered mis-selling financial products to their customers.

Ethical behaviour therefore shows that an organisation considers the moral dimensions of its activities and how it ought to be acting. This unit examines business ethics and how taking an ethical stance affects organisations both internally and externally, including the effects on stakeholders. Learners will explore the social implications of business ethics on a wide range of business activities that affect the organisation itself and the external environment. This will include the ethical stance behind topical issues such as whistle-blowing, employment practices, advertising to children, environmental awareness and using new technologies such as genetic modification of food.

As consumers become more ethically aware, explicitly ethical behaviour has increased. Whistle-blowing charters are not uncommon, renewable resources are increasingly used in production, and more products are becoming 'eco-friendly'. Consumers today have an increasing amount of choice relating to the products and services that they use. This has given many organisations, such as those that do not use animal testing on cosmetics, or those that work to protect the environment, the opportunity to grow in niche markets to satisfy consumer demand.

The unit also explores the wider impact of ethical concerns looking at how business practices can have local, national and global implications. The pressure of communities and groups on business operations has raised awareness of ethical concerns as varied as environmental degradation, executive greed, and the use of child labour in the developing world. As people become more aware of different business activities, and as global changes continue to happen, organisations will change how they operate. This unit should develop an understanding of the ethical dimensions of business behaviour.

You might find it useful for learners to consider ethical and moral dilemmas in a practical business setting. For example, you could present them with scenarios that require them to consider whether to report the unethical business behaviour of a team member to their supervisor or line manager.

To complete this unit, your learners will need access to a range of research materials. These could include sources of information and tools on the internet, journals, magazines and books.

You can use a range of delivery methods in this unit, such as:

- discussions, e.g. class and small group discussions on the business environment and the way organisations are changing to meet ethical requirements
- individual or group presentations, e.g. covering stakeholders and their importance in developing an ethical way of conducting business
- case studies illustrating ethical practices of both well-known and lesser-known organisations
- videos, e.g. TED talks on business ethics.

Group work is an acceptable form of delivery, but you must ensure that each learner produces sufficient evidence on their own for assessment.

You can involve local employers in the delivery of this unit by inviting them as:

- guest speakers
- members of the audience for learner presentations
- contributors to case study material
- providers of work experience for learners, and of business materials as exemplars
- mentors for learners.



Assessment model

| Learning aim | Key content areas | Recommended assessment approach |
|---|---|---|
| A Understand how ethical behaviour is applied in a business context | A1 Features of business ethics A2 Industry and professional codes of practice A3 The application of ethical values to business practices A3 Business ethics and the individual | An investigative report profiling the way in which ethical and CSR initiatives are implemented by two different organisations. |
| B Understand how CSR is applied in a business context | B1 CSR issues and the impact on stakeholders B2 Sustainability and the triple bottom line B3 Promoting business ethics and CSR policies | |
| C Investigate the impact of ethical and CSR issues on business practices | C1 Strengthening a business organisation's CSR image C2 Organisational responses to addressing ethical and CSR issues C3 Reviewing business practices in relation to disaster recovery | A critical review of the response of an organisation to a business disaster resulting from unethical business practices or deficiencies in its CSR. |

Assessment guidance

This unit is internally assessed through two assignments. The first covers learning aims A and B; the second covers learning aim C. Your learners should be given the opportunity of engaging in assignments that develop and support their knowledge of international business, as well as their generic skills.

Learners should undertake research, using different source materials that require them to present their findings in a variety of formats such as reports, business articles and presentations. In their completed assignments, your learners should show evidence of data analysis and evaluation. This analysis should be used to inform and justify any conclusions and recommendations that are included in the final submission. This approach is particularly relevant in the second assignment covering learning aim C, where learners will be required to use their evaluative skills in order to formulate a critical review of business practices.

Learners must have access to information on a range of organisations, including local, national and international organisations. It is expected that learners in a cohort will individually select and research their choice of business organisations. Throughout the unit, learners will show individuality of thought, independent collection, collation and judgement of evidence. The business organisations selected by the learner for learning aims A, B and C should be contrasting in terms of their features; for example, ownership and liability, purpose, sector, scope and/or size.

Getting Started

This gives you a starting place for one way of delivering the unit, based around the recommended assessment approach in the specification.

Unit 20: Business Ethics

Introduction

Business organisations are aware that the behaviour of consumers is increasingly influenced by the organisation's ethical behaviour, the way it conducts its working relationships, and how far it recognises the impact of its activities in a wider social and environmental context. To remain competitive, business organisations need to demonstrate high standards of ethical business behaviour and take account of the social and environmental impact of their production processes. In this unit, learners will consider a business organisation's relationship with its internal and external stakeholders from the perspective of business ethics and corporate social responsibility (CSR). Learners will explore the nature of ethical behaviour in a business context and the impact of business ethics on costs, operations, and the roles and responsibilities of managers and employees in the workplace. Finally, they will examine the role and importance of CSR, and how it influences an organisation's relationship with stakeholders in the wider external business environment.

Learning aim A - Understand how ethical behaviour is applied in a business context

- Begin by introducing the aims of the unit, giving an overview of the content of the learning aims and explaining how your learners will be assessed. This will give a basis for the types of activities in which your learners will be engaged.
- Discuss the core principles of ethical behaviour. Learners can discuss their own experience of personal, ethical behaviour, and their awareness of what is 'wrong' or unethical: for example, telling lies, or stealing. The discussion can explore the concept of 'moral' behaviour. You can then link this concept to the principles of business ethics and acceptable business behaviour.
- Looking at ethical dilemmas is an interesting way of introducing the topic to learners. You could begin with a class discussion exploring how ethical behaviour is applied in a business context. Many learners will have strong views on a number of subjects or issues but may not realise these issues could be classed as ethical values. Throughout the discussion, learners will discover that their own personal ethics have a relationship to organisations' ethical values. Ensure learners have an understanding of the definition of business ethics, and the characteristics and features of operating ethically in a business environment.
- Learners could be required to consider ethical dilemmas that they may encounter when they enter the world of work. Present your learners with a series of ethical dilemmas that they may encounter in the workplace; for example, a team member who has achieved high sales targets by not being truthful to customers – the team member may have made false claims about a product in order to secure a sale. Similarly, what would they do if they were asked to inflate a petty cash claim or a travel claim because 'everybody in the team does it'?
- You could use a corporate video clip, or read a current case study that illustrates the ethical issues that organisations must consider. Consider mandatory and voluntary codes of practice. Look at how the organisation in the case study adheres to professional codes of practice. Encourage learners to consider the influence of business ethics on corporate

image. Learners should also consider the aims and objectives of the organisation in terms of their ethical viewpoint.

- This could be followed by a discussion to assess the benefits and difficulties of current business ethics. You could invite a guest speaker from a local organisation to talk to the learners about how their business has addressed ethical concerns. Follow this with small group work where learners work in groups to research the benefits and difficulties of implementing ethical behaviour. Benefits could include anything from an organisation's enhanced image and reputation, to customer loyalty and new customer acquisition. Difficulties are generally linked to the internal culture of the organisation. For example, if the executive board only pays lip service to, or totally disregards, ethical practice, staff are likely to follow their example. Sometimes, new ethical practice involves a change of culture and procedures, which could be resisted by staff. It is important to use current case study materials to illustrate the points being made.

Learning aim B – Understand how CSR is applied in a business context

- You could introduce learning aim B by leading a class discussion introducing learners to the concept of corporate social responsibility (CSR) and the impact of its initiatives on key stakeholder groups including employees, customers, suppliers, governments and local communities. Many larger organisations have adopted a code of conduct, or corporate ethics charter, which is usually available on their website. Many professional bodies representing professions, such as those working in accountancy, will produce professional codes of ethical behaviour. Learners could research a corporate website and describe the activities of the organisation and the ethical issues that need to be considered. Company Annual Reports, which are available online, will provide details of CSR policies and initiatives, as well as examples of the initiatives supported by individual corporations.
- You could use documentaries, video clips and case studies to help learners to get an understanding of business ethics from the perspective of the organisation. Ask a guest speaker from a local or international organisation to come in to discuss the sustainability of their business and to introduce the concept of the triple bottom line (i.e. financial, social and environmental gains).
- Learners could work in small groups to research how organisations tackle environmental issues, consumer protection statutory and legal requirements, and supply chain community statutory and legal requirements. Each group could look at a different sized organisation, with the aim of presenting the research to the whole group at the end of the session.
- A plenary could involve all learners and highlight the key issues. Teaching should focus on the benefits and drawbacks of applying business ethics and CSR in different types of organisations, including sole traders, PLCs and multinational corporations. It should be highlighted that the implications of trading in an ethical way may vary according to organisation size.

Learning aim C – Investigate the impact of ethical and CSR issues on business practices

- This learning aim investigates the impact of ethical and corporate social responsibility issues on business practices. You could break up this learning aim into two sessions: one covering the internal business environment and the second covering the external business environment.

- In session one you could ask a guest speaker from an HR department to speak to the learners about the HR practices in their organisation, including how they ensure their recruitment processes are inclusive and promote diversity. Ask learners to do some individual research into sustainable production practices. Each learner selects an organisation of their choice and creates an advertisement highlighting how the organisation they have chosen is committed to sustainable production.
- For the second session addressing the external business environment, you could have a group discussion about how organisations ensure they are transparent with consumers in their marketing and sales promotions. Look at a number of marketing campaigns for a range of organisations of different sizes and ask the learners to comment on whether they feel the organisations are being transparent and honest in their advertisements. You could also look at how and whether the same organisations are supporting the local community through initiatives like sponsorship schemes, charitable donations and environmental initiatives. Different organisations have different concerns; it is important for learners to be aware of the ethical issues faced by organisations and the possible impact on them. Learners are encouraged to reflect on how organisations could address these ethical issues, and if there is anything they can do to improve their ethical record.
- Use a case study to show how the organisation review practices in relation to disaster recovery. For example, Cadbury's had to recover their reputation in 2006 after salmonella was found in a number of their chocolate products. Similarly, the Volkswagen emissions scandal resulted in a considerable financial loss to the organisation as well as to its corporate international brand image, including legal claims brought by customers who had purchased VW motor vehicles. More recently, supermarkets are under increasing pressure from consumers and environmental campaigners to reduce packaging. How do such organisations respond to business disasters that impact the public's perception of business ethics and corporate social responsibility? Group discussions about the case studies could help learners to develop their knowledge and begin to voice their opinions.
- Documentaries like *The Corporation* would be useful in helping learners to develop an understanding of this topic. There are also numerous videos available online regarding ethical organisations.
- This learning aim can be quite controversial and not all learners may be of the same opinion. It is important to let learners know that in ethics there are no right or wrong answers, and everyone is entitled to their opinion based on their beliefs and values; however, learners should be encouraged to challenge their own views, as this will help develop their evaluative skills.



Details of links to other BTEC units and qualifications, and to other relevant units/qualifications.

This unit links to:

- Unit 7: Business Decision Making
- Unit 32: Business and Environmental Sustainability.

Resources

In addition to the resources listed below, publishers are likely to produce Pearson-endorsed textbooks that support this unit of the BTEC International Level 3 Qualifications in Business. Check the Pearson website (<http://qualifications.pearson.com/endorsed-resources>) for more information as titles achieve endorsement.

Textbooks

- Chryssides, GD and Kaler, JH – *An Introduction to Business Ethics* (Thomson Learning, 1993) ISBN 9781861523563
- Fisher, C and Lovell, A – *Business Ethics and Values: Individual, Corporate and International Perspectives*, 4th edition (Pearson, 2012) ISBN 9780273757917
- Gillespie, A – *Business in Action: 'The Business of Business'* (Hodder Arnold, 2002) ISBN 9780340848203
- Hartman, LP, Desjardins, J and MacDonald, C – *Business Ethics: Decision Making for Personal Integrity & Social Responsibility*, 4th edition (McGraw Hill Education, 2017) ISBN 9781259417856
- Klein, N – *No Logo: Taking Aim at The Brand Bullies* (Saint Martin's Press Inc, 2000) ISBN 9780312203436
- Shaw, W – *Business Ethics: A Textbook with Cases* (Cengage Advantage Books, 2010) ISBN 9780495808763

Journals

- Business Review Magazine (Philip Allan Updates)
- Economic Review Magazine (Philip Allan Updates)
- Ethical Consumer (ECRA Publishing Ltd)

Podcasts

There are many business podcasts available online discussing business ethics. They can be found by searching online for 'ethical business podcasts'.

Videos

- The Social Network (2010) – portrays the founding of social networking website Facebook and the resulting lawsuits. This film is not essential, but good viewing.
- The Corporation (2003) – a documentary film exploring the world of corporations and the impact they have on children, health and the environment. This film is not essential, but good viewing.
- TED-Ed offers a variety of relevant education videos. Search online for 'TED-ed' to find their website and then search for ethical business practices.

TED offers online videos of short, powerful talks (18 minutes or less) covering almost all topics. Search online for 'ted talks'.

Websites

- Business ethics from Wikipedia, the free encyclopaedia.
- The BBC News website has many current ethical business stories.
- Ben & Jerry's Ice Cream is an interesting company to look at in the light of ethical practices. It can be found by searching for 'Ben and Jerry's ice cream' online.
- Business Ethics online magazine is a useful resource that can be found by searching online for 'Business Ethics Magazine'.
- It would be useful to search online to find organisations that are currently considered the most ethical. Search online for '100 Best Corporate Citizens'.
- 'Ethical Consumer' is a useful website that can be found by searching online for 'ethical consumer'.
- 'Ethical Junction' is an ethical organisations directory for the UK and Ireland. It can be found by searching online for 'ethical junction'.
- 'Ethical Threads' is an ethical clothing and merchandise website which can be found by searching online for 'ethical threads'.
- The Financial Times is a useful resource that can be found by searching online for 'Financial Times'.
- The Institute of Business Ethics has a useful website that can be found by searching online for 'The Institute of Business Ethics'.
- Nike has an interesting section on their website about sustainable innovation. Find the section on their website entitled 'about Nike' and there is a section on 'sustainable innovation'.
- The Chartered Institute of Taxation has a useful website that gives information about the UK tax system.



- The Body Shop is a good example of a company that has marketed itself on its ethical behaviour. It has a useful website that can be found by searching for 'The Body Shop' online.
- Unilever's website has useful information about sustainable growth and ethical trading. It can be found by searching online for 'Unilever'.

Pearson is not responsible for the content of any external internet sites. It is essential for tutors to preview each website before using it in class so as to ensure that the URL is still accurate, relevant and appropriate. We suggest that tutors bookmark useful websites and consider enabling students to access them through the school/college intranet.