

# The Role of Ethics in Global Business Decisions

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# What we need to know

- Here are all the topics this PowerPoint aims to cover from the BME Y12 Syllabus.

- role of ethics in global business decisions, including:
  - environmental responsibility
  - outsourcing
  - the use of offshore labour

# Ethics in Business



Ethics – A set of principles, morals or rules of conduct that govern an entity's (firm) behaviour when conducting an activity



Ethical Behaviour – Behaviour that is fair, objective and consistent and considers the interests of all those likely to be affected, directly or indirectly by the behaviour



Enhances reputation of a firm which makes it easier for a business to recruit new staff and source financing from investors and lenders



Increases staff morale which directly links to greater productivity and motivation



Builds on and maintains customer loyalty as there is less risk involved with less controversial businesses



Avoids legal problems that cause a firm to undergo further scrutiny from media and legal entities which can harm business reputation and increase litigation (legal) costs



# Corporate Social Responsibility

- While not directly linked to the course syllabus, Corporate Social Responsibility (CSR) is a very useful concept to know as firms often speak about this in their business plans and missions
- Corporate Social Responsibility is a **management concept** whereby companies integrate **social and environmental** concerns in their business operations and interactions with their stakeholders. – United Nations Industrial Development Org.
- This concept is at the forefront of a business in decision making and practices used in environmental responsibilities, outsourcing and use of offshore labour.
- CSR is a globally recognised initiative and current day policies seek to enhance or adhere to this emerging concept

# Environmental Responsibility

- The belief that organisations should behave in as environmentally friendly a way as possible and that it is a duty of firms to protect and improve the environment they operate in and are a part of.
- Can be used as promotional material for a business to strengthen public image

## When it comes to Decisions

- Future oriented, focuses on protecting environments and creating a more ecologically and socially just world
- Informs ways and practices that contribute to a more sustainable pattern of business activities and living

## What it actually is in Practice

- Ethical and ecologically sustainable sourcing of inputs that are in line with company's values and mission
- Triple Bottom Line practice – this is an accounting framework where businesses report on their social, environmental and financial performance

# Outsourcing

- The act of moving non-core activities of a firm away from internal operations, this allows an external specialist party (firm, agency etc) to provide or conduct the activities instead.
- This often leads to structural employment, where people are unemployed due to changing demand patterns and immobile (unmoving) labour resources.
- Specialised foreign workers are outsourced due to cheaper inputs and cost of production. This contributes to the loss of domestic jobs in some industries. i.e. Australian Car Manufacturing

## When it comes to Decisions

- CSR policy for all outsourcing activities
- Developing relationships with businesses that adhere to similar CSR policies
- Lowering costs
- Improving customer focus

## What it actually is in Practice

- Training and communication to all staff and stakeholders of the firm's ethical code, policies, conduct and standards
- Memorandums of Understanding to ensure all parties' agreement
- Management able to shift firm focuses on core business activities

# Use of Offshore Labour

Refers to moving entire processes, departments, job tasks, to other countries in order for a firm to benefit from reduced labour costs, or a more beneficial regulatory environment (relaxed laws and regulations).

When it comes to Decisions	What it actually is in Practice
<ul style="list-style-type: none"><li>- Awareness of host country labour regulations and workplace conditions</li><li>- Awareness of labour vulnerability and exploitation practices</li><li>- Consideration for third-party labour vendors and media scrutiny</li></ul>	<ul style="list-style-type: none"><li>- Designing labour practices so that International Labour Organisation (ILO) standards regarding basic principles and rights are met</li><li>- Practices avoid utilising child labour and are disclosed appropriately as per legal requirements</li></ul>