# Unit 37: Understanding Business Ethics

**Unit code:** A/502/5496

**QCF Level 3:** BTEC National

**Credit value:** 10

**Guided learning hours:** 60

## ● Aim and purpose

The aim of this unit is to introduce learners to the concept of business ethics and to examine its application to the conduct of individuals in organisations and to the conduct of the organisation as a whole.

## ● Unit introduction

This unit introduces learners to the concept of business ethics and the application of ethical values to business behaviour. The topic applies to any aspect of business conduct, from boardroom strategies to how organisations treat their suppliers, to sales techniques, to accounting practices and to how they respond to wider issues of social concern such as sustainability. Ethics go beyond the legal requirements and are, therefore, discretionary. It is about how an organisation does its business and how it behaves intrinsically.

Ethical behaviour 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 businesses 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 used in production and products are 'eco-friendly'. Consumers are now given a choice relating to the products and services that they use and this has given many businesses, such as those that do not use animal testing on cosmetics, the opportunity to grow in niche markets to satisfy consumer demand.

The unit also explores the wider impact of ethical concerns about 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, businesses will change how they operate. The unit should develop an understanding of the ethical dimensions of business behaviour.

## Learning outcomes

**On completion of this unit a learner should:**

1      Understand the meaning and importance of ethics in the business world

2      Understand the implications of businesses operating ethically

3      Know the social implications of business ethics

4      Understand ethical concerns facing different communities.

# Unit content

## 1 Understand the meaning and importance of ethics in the business world

*Operational activities*: definitions of business ethics; ethical activities; values of businesses; professional ethics; individual ethical behaviour

*Ethical issues*: corporate governance; corporate social responsibility; environment; sustainability; human rights; corruption; trading fairly; legal and regulatory compliance; business practices; working conditions; individual ethical responsibilities

## 2 Understand the implications of businesses operating ethically

*Stakeholders*: stakeholders (owners, employees, customers, suppliers, competitors, citizens); conflicts of interest between stakeholder groups eg shareholders versus environmentalists

*Implications*: adapting business behaviour; responding to ethical pressures; implementing ethical practices; influence of stakeholders and pressure groups; impact on competitiveness; reputation; public image; ethical trade; value-added; complying with relevant legislation and codes of practice, eg UK law, EU law; UN Declaration on Human Rights; UN Global Compact; economic activity eg location

## 3 Know the social implications of business ethics

*Areas of activity*: ethics in finance, eg bribery, executive pay, insider trading, lobbying; ethics in human resource management, eg discrimination, worker surveillance; ethics in production, eg animal testing, genetically modified (GM) foodstuffs, planned obsolescence; ethics in sales and marketing, eg spamming, shills, product placement, green washing; ethics in intellectual property eg software piracy, counterfeiting, peer-to-peer file sharing

*Implications*: global, eg environment; corporate, eg legal and regulatory compliance, policies and practices; individual (employee, consumer)

## 4 Understand ethical concerns facing different communities

*Communities*: local; regional; national; global; pressure groups, eg Greenpeace, Friends of the Earth; impact of overseeing bodies, eg UK Government, United Nations, European Union, World Trade Organization (WTO), World Health Organization (WHO)

*Issues*: corporate social responsibility; globalisation; cultural imperialism; ecology; environment; fair trade; corruption; child labour; outsourcing; personal attitudes; whistle blowing

# Assessment and grading criteria

In order to pass this unit, the evidence that the learner presents for assessment needs to demonstrate that they can meet all the learning outcomes for the unit. The assessment criteria for a pass grade describe the level of achievement required to pass this unit.

| Assessment and grading criteria | | |
|---|---|---|
| To achieve a pass grade the evidence must show that the learner is able to: | To achieve a merit grade the evidence must show that, in addition to the pass criteria, the learner is able to: | To achieve a distinction grade the evidence must show that, in addition to the pass and merit criteria, the learner is able to: |
| **P1** explain the ethical issues a business needs to consider in its operational activities | **M1** assess how a selected business could improve the ethics of their operations | **D1** evaluate the impact of a selected business's ethical behaviour on stakeholders and the business. [IE] |
| **P2** explain the implications for the business and stakeholders of a business operating ethically [IE] | | |
| **P3** describe the social implications of business ethics facing a selected business in its different areas of activity [IE] | **M2** assess the social implications of business ethics facing a selected business in its different areas of activity | |
| **P4** examine the ethical concerns of the communities in which a selected business operates. | **M3** explain the ethical concerns of the communities in which a selected business operates and suggest measures that could be taken to improve corporate responsibility. | |

**PLTS**: This summary references where applicable, in the square brackets, the elements of the personal, learning and thinking skills which are embedded in the assessment of this unit. By achieving the criteria, learners will have demonstrated effective application of the referenced elements of the skills.

| Key | IE – independent enquirers | RL – reflective learners | SM – self-managers |
|---|---|---|---|
| | CT – creative thinkers | TW – team workers | EP – effective participators |

# Essential guidance for tutors

## Delivery

The unit should start with an overview of business ethics in relation to business activities and how businesses identify their ethical practices through their mission statements and corporate aims. The Body Shop and Ben & Jerry's Ice Cream started life as self-declared ethical businesses and might provide a good starting point. The tensions that can arise through takeovers (for example Body Shop/L'Oreal and Ben & Jerry's/Unilever) and the stances that different stakeholders have will highlight a variety of concerns relating to operational activities. Learners will be able to examine examples using news articles, the Times 100 case studies and topical television programmes such as *Panorama*. This will naturally link to different issues relating to the learning outcomes.

Consumers are becoming increasingly aware of the importance of ethical business practices and learners should be able to examine the impact that different practices have on business. Organic food and cosmetics that are not tested on animals illustrate the niche markets that can develop. Some businesses suffer because their behaviour is seen as unethical: they use child labour to make footballs, there is a 'fat cat culture', or their advertising is offensive.

The first assignment should be introduced early in the delivery programme to give learners the opportunity to choose an organisation and conduct preliminary research into the amount of accessible information that is available. The second assignment should be at an appropriate point later in the programme when learners have had the opportunity to research and discuss many of the ethical issues that impact on a community. This will enable learners to present a balanced view in their article.

Corporate governance is a multi-faceted subject. An important part of corporate governance deals with accountability and mechanisms of auditing and control. The spectacular collapses of financial organisations such as Northern Rock and Lehmann Brothers highlighted the lack of corporate responsibility in the sub-prime mortgage market. The high-profile collapses of firms such as Enron, BCCI, Polly Peck, WorldCom and Parmalat show what happens when corporate governance is poor. The falsification of accounts has led to the collapse of businesses and substantial job and financial losses. Governments will act when business activities are detrimental to the community. The crisis in the financial sector in the aftermath of the credit crunch' has seen government intervention on an unprecedented scale in an effort to prop up the banking system.

Learners should also be aware of how corporations have reduced costs and increased revenues in ways that have caused concern that the associated behaviour is unethical. Moving production operations to less-developed countries where wages are lower is an example of this. Poor working conditions endured by those making goods for well-known companies are described in Naomi Klein's *No Logo*. Issues relating to advertising in terms of legality, decency and truthfulness should be discussed, and the implications of advertising using or aimed at children. Benetton's controversial advertising campaigns may be explored to develop an understanding of some of the issues surrounding advertising. Learners need to look at how businesses have responded to pressure to act in an ethical manner.

The implications for stakeholders should be explored. This should include the conflicts of interest that arise from the different concerns and interests of the different groups. Businesses also face dilemmas relating to competitiveness in terms of production costs and increasing profits. Seeking to pay lower wages is not, of itself, unethical, but paying lower than subsistence wages and providing bad working conditions are seen as unethical particularly when the business takes a contrasting stance in other areas of activity. Nike promotes the NikeGo 1 mile kids run to promote wellbeing amongst young Americans but Todd McKean, a company spokesman, conceded Vietnamese child labour was used to produce the company's products. This leads on to an exploration of the impact of pressure groups on businesses to operate ethically. Where applicable, learners should also explore the concept of whistle blowing.

At a national level, learners can consider issues such as how the Government promotes ethical trading and the effect of tax avoidance and evasion on the economy. The Treasury's website and current newspaper articles would support teaching of these concepts. Learners should consider the benefits and drawbacks of businesses operating ethically and understand why certain business practices may be considered acceptable or unacceptable from the standpoint of particular stakeholders. As learners develop their understanding they should be able to discuss different businesses and explore their ethical practices, including both benefits and drawbacks. If a business stops making products that are harmful to the environment, what are the implications for the employees who may lose their jobs? This then affects the owners when they do not receive a return on their investments. It also affects the supply chain as downstream businesses are affected.

Role play may be used as learners present an organisation's activities from different stakeholder standpoints. Primark's decision to drop three of its Indian suppliers when a child labour scandal was uncovered is an example of a topical issue that can provide current material for role play.

The social implications can be explored through considering suitable topics such as the use of genetically modified foods, testing pharmaceuticals on animals or promoting alcohol to young people.

Governments intervene, for example, by banning smoking in public places and the UK has relaxed the opening times for public houses. This will have an impact on business and society.

There is a growing market ethically produced goods and learners could research these producers and examine why, and how, they have chosen to operate ethically. They will also examine why consumers are prepared to pay extra for ethically produced goods such as organic or fair trade products. Many organisations also produce policies and codes of conduct to ensure that their behaviour is fair and ethical irrespective of the location of their operations. Individuals are expected to behave ethically and employers often have codes of behaviour for their employees.

The ethical consequences of business activity should be explored at local, national and global levels. Learners may be able to identify the impact and changes in their own local and wider communities; this may include pressure group activity and types of business activity. Some businesses operate sustainable activities such as replanting trees, providing seed for crops, helping out with clean water projects and so on.

Learners should explore what impact these have in their own and other countries and communities. At each level, local, national and global, there are pressure groups that affect the way businesses operate by encouraging them to adopt ethical stances on a wide range of issues.

## Outline learning plan

The outline learning plan has been included in this unit as guidance and can be used in conjunction with the programme of suggested assignments.

The outline learning plan demonstrates one way in planning the delivery and assessment of this unit.

| Topic and suggested assignments/activities and/assessment |
|---|
| Introduction to the unit – whole class |
| Introductory topical case study on Business Ethics magazine in small groups |
| **Assignment 1: Business Ethics – a study of a selected company**<br><br>Learners: assignment research and writing report:<br><br>• select an appropriate company<br><br>• discuss and agree choice with tutor<br><br>• research the ethical values and activities of the company<br><br>• explore ethical issues relevant to the company<br><br>• progress reviews with tutor<br><br>• identify stakeholders and conflicts of interest<br><br>• assess the ethical implications for stakeholders<br><br>• explore the social implications of business ethics for the company<br><br>• write report. |
| Overview of ethical issues in the business world – whole class:<br><br>• visiting speaker from local business<br><br>• pair work with a topical case study and feedback from pairs<br><br>• pair work researching current ethical issues in business from newspapers and websites<br><br>• group discussions on results of pair work research. |
| Introduction to the implications of stakeholders interests for business ethics. Whole class:<br><br>• pair work on websites identifying the stakeholders in major companies<br><br>• pair work introductory case study on role of pressure groups,<br><br>• visiting speaker from pressure group<br><br>• small-group work researching the influence of stakeholders on business practices from selected organisations<br><br>• oral presentations on group findings and discussion. |
| Introduction to the social implications of business ethics. Whole class:<br><br>• visiting speaker from local organisation<br><br>• pair work on case studies on ethics in finance & ethics in production<br><br>• feedback from pairs<br><br>• pair work on case studies on ethics in sales and marketing & ethics in intellectual property<br><br>• feedback from pairs, and discussion. |

| Topic and suggested assignments/activities and/assessment |
|---|
| Introduction to ethical concerns facing different communities and key issues: |
| • speaker from a national charity organisation |
| • small group work on case study and research on topical local, regional or national issue |
| • feedback from groups and discussion |
| • small group work on case study and research on global issue |
| • feedback from groups and discussion. |
| **Assignment 2: Ethical Concerns in the Community of the Selected Company** |
| Learners: assignment research and writing report: |
| • research the ethical concerns of different communities in which a selected business operates |
| • write report. |

## Assessment

For P1, learners should examine a selected business and explain its activities from an ethical viewpoint. Learners should examine the business mission statement and corporate aims and objectives (or values and goals) and describe how that business is attempting to show its stakeholders that it is aware of the ethical concerns that apply. (Learners may choose for themselves, but the business should be checked with the tutor to ensure that the learner can meet the criteria.)

P2 allows learners to choose the same business (an alternative one could be used) and examine the impact on the business and its stakeholders of the way the business operates. There may be a conflict of interest between the different stakeholders, and learners will need to explain the reasons for this. There will also be benefits and drawbacks to the business on the way in which it is operating and the learners will need to give reasons and support with examples. ForM1, the evidence will be extended to consider ways that the selected business could change or alter some of its practices, showing how the changes would contribute to ethical behaviour. This then leads into D1 where the learners will need to evaluate the impact that the changes and suggestions would have on their selected business. They will need to support this with evidence of research.

M1 links with P1 and P2, enabling learners to consider how the selected business could improve its operational activities to be more ethical and identify the important factors that would have a positive impact on operations.

Issues raised in P3 are to do with ethical business practices and how the business considers the issues and addresses them in any area of activity. For M2, learners will need to assess the implications of these ethical issues, how they are dealt with and the consequences for different stakeholders.

Evaluation is required for D1 and incorporates the work learners have completed for P1, P2 and M1. Learners should bring their investigations together with relevant conclusions. At this level the work should be supported by evidence relating to their research.

P4 examines the concerns that people have about the ethical behaviour of a business. The role of government organisations and pressure groups can be considered here. M3 extends P4.

## Programme of suggested assignments

The table below shows a programme of suggested assignments that cover the pass, merit and distinction criteria in the grading grid. This is for guidance and it is recommended that centres either write their own assignments or adapt Edexcel assignments to meet local needs and resources.

| Criteria covered | Assignment title | Scenario | Assessment method |
|---|---|---|---|
| P1, P2, P3, M1, M2, D1 | Business Ethics. A Study of a Selected Company | Brief from an independent review body. Learners to conduct research into business ethics in a selected organisation. | Collated research data. Report. |
| P4, M3 | Ethical Concerns in the Community of the Selected Company | Brief from a newspaper to write an article on the ethical concerns of a community where a selected business operates. | Collated research data. Article for a newspaper. |

## Links to National Occupational Standards, other BTEC units, other BTEC qualifications and other relevant units and qualifications

This unit forms part of the BTEC Business sector suite. This unit has particular links with the following unit titles in the Business suite:

| Level 2 | Level 3 |
|---|---|
| Business Purposes | The Business Environment |
| Business Organisations | Business Resources |
| Financial Forecasting for Business | Introduction to Marketing |
| Business Online | Business Communication |

## Essential resources

For this unit learners should select an organisation and research its approach to ethical issues. They will require access to websites, newspaper articles and journals in order to conduct their research. Topical case studies will be needed to facilitate group work and discussions.

## Employer engagement and vocational contexts

Centres should develop links with organisations such as local businesses, pressure groups and charities that can provide visiting speakers on various aspects of business ethics. The centre as an organisation can be a valuable resource both for guest speakers and as a vehicle for topical case studies related to ethical issues. Learners may be able to access information from their part-time jobs related to the organisation's ethical policies.

## Indicative reading for learners

### Textbooks

Chryssides G D and Kaler J H – *An Introduction to Business Ethics* (Thomson Learning, 1993) ISBN 1861523564

Fisher C and Lovell A – *Business Ethics and Values: Individual, Corporate and International Perspectives* (FT Prentice Hall 2008) ISBN 039564267

Gillespie A – *Business in Action 'The Business of Business'* (Hodder Arnold, 2002) ISBN 0340848200

### Journals

*Business Review Magazine* (Philip Allan Updates)

*Economic Review Magazine* (Philip Allan Updates)

*Ethical Consumer* (ECRA Publishing Ltd)

### Company annual reports

Materials from relevant charities and pressure groups, such as Amnesty, World Development Movement, Compassion in World Farming, Friends of the Earth, Greenpeace, Baby Milk Action, Campaign against the Arms Trade, Anti-slavery International.

### Websites

| | |
|---|---|
| http://en.wikipedia.org/wiki/Business_ethics | Business ethics from Wikipedia, the free encyclopaedia |
| www.bbc.co.uk/news | BBC News |
| www.benjerry.co.uk | Ben & Jerry's Ice Cream |
| www.business-ethics.com | Business Ethics online magazine |
| www.business-ethics.com/100best.htm | Business Ethics online – 100 Best Corporate Citizens |
| www.ethicalconsumer.org | Ethical Consumer |
| www.ethical-junction.org | Ethical businesses directory for the UK and Ireland |
| www.ethicalthreads.co.uk | Ethical clothing and merchandise |
| www.uk.oneworld.net/guides | Guides on wide range of ethical issues |
| www.ft.com | Financial Times |
| www.hm-treasury.gov.uk | HM Treasury |
| www.ibe.org.uk/faq.htm | Institute of Business Ethics |
| www.loreal.com | L'Oreal |
| www.nike.com | Nike |
| www.nologo.org | Official No Logo site |
| www.redbox.gov.uk | The Red Box, an interactive resource to teach learners about tax and public spending |
| www.tax.org.uk | The Chartered Institute of Taxation |
| www.tes.co.uk | The Times Educational Supplement |
| www.uk.thebodyshop.com | The Body Shop |
| www.unilever.com | Unilever |

**Films**

The Corporation (Joel Bakan, 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.

## Delivery of personal, learning and thinking skills

The table below identifies the opportunities for personal, learning and thinking skills (PLTS) that have been included within the pass assessment criteria of this unit.

| Skill | When learners are … |
|---|---|
| Independent enquirers | explaining the implications for the business and stakeholders of a business operating ethically |
| | describing the social implications of business ethics facing a selected business in its different areas of activity |
| | evaluating the impact of a selected business's ethical behaviour on stakeholders and the business. |

Although PLTS are identified within this unit as an inherent part of the assessment criteria, there are further opportunities to develop a range of PLTS through various approaches to teaching and learning.

| Skill | When learners are … |
|---|---|
| Independent enquirers | exploring ethical issues or problems arising from research, from different perspectives |
| Creative thinkers | asking questions and extending their thinking on ethical issues with visiting speakers and in group work |
| | questioning their own and others' assumptions in group work and through their research on business ethics |
| Reflective learners | inviting feedback and dealing positively with praise, setbacks and criticisms when working in groups |
| Team workers | providing constructive support and feedback to others in group work exercises on business ethics |
| Self-managers | managing their emotions and building and maintaining relationships when working in groups on ethical issues |
| Effective participators | acting as an advocate for views and beliefs that may differ from their own when working in groups on ethical issues. |

## Functional Skills – Level 2

| Skill | When learners are … |
|---|---|
| **ICT – Use ICT systems** | |
| Manage information storage to enable efficient retrieval | writing and saving their assignment work |
| **ICT – Find and select information** | |
| Select and use a variety of sources of information independently for a complex task | using websites to research information on business ethics |
| **English** | |
| Speaking and listening – make a range of contributions to discussions and make effective presentations in a wide range of contexts | participating in pair or in small group work to discuss the impact of business ethics in different organisations |
| Reading – compare, select, read and understand texts and use them to gather information, ideas, arguments and opinions | reading textbooks, journals, newspapers and web pages related to the impact of business ethics on individuals and communities |
| Writing – write documents, including extended writing pieces, communicating information, ideas and opinions, effectively and persuasively | writing reports and articles on the impact of business ethics. |