

RSM 100 Chapter 2 Notes

***Business ethics** refers to standards of conduct and moral values regarding right and wrong actions in the business environment

-This is at the heart of CSR (Corporate Social Responsibility)

-While a business's goal is to make a profit, it should also be socially responsible and know what is right from wrong, even if this means a higher cost for the firm

*CSR should benefit everyone, including consumers, the environment, and companies themselves

-E.g. Johnson & Johnson is a socially responsible company that has a long-term commitment to ethical practice

*While Walmart had issues with CSR in the past, it has gotten better and now grouped its social responsibility priorities into four categories

1. Environment
2. People
3. Responsible Sourcing
4. The community

*The **Sarbanes-Oxley Act** of 2002 was a US Federal legislation that was designed to punish corporate and accounting fraud and corruption

-Companies are now required to publish their code of ethics and inform the public of anything that was changed in it

*A factor of higher unethical behavior includes technology because anyone who has computer access may be able to steal or manipulate data

***4 common business ethical challenges:**

1. Conflict of Interest

-A conflict of interest occurs when an employee must choose between a business's welfare and personal gain

-E.g. Lawyers have a conflict of interest when they represent two competing companies

-They can be handled ethically by avoiding them or disclosing them

2. Honesty and Integrity

-Having integrity means being able to behave according to one's deeply felt ethical principles in business situations

-Includes accepting responsibility for your own mistakes

-Integrity can help build long-term relationships with customers, employers, suppliers, and the public

-E.g. lying on a resume would be a violation of this principle

3. Loyalty versus truth

-There can be a conflict between loyalty to the company and truthfulness in business relationships

-To resolve this issue, it depends on the person

-E.g. some people place the highest value on loyalty, even at the expense of truth

4. Whistle-blowing

-Whistle-blowing is defined as disclosure to company officials, government authorities, or the media of illegal, immoral, or unethical practices committed by an organization

-E.g. Edward Snowden is a famous whistle-blower who revealed what the NSA was doing to its citizens (surveillance)

-There are no specific Canadian laws that protect whistle-blowers, but many companies have policies that protect whistle-blowers' privacy

***A corporate culture that supports business ethics develops on four levels:**

1. Ethical awareness

-Firms develop a code of conduct to help employees identify ethical problems when they occur

-A code of conduct is a formal statement that defines how an organization expects its employees to resolve ethical issues

2. Ethical reasoning

-Some firms have ethics training programs that teach employees about ethics in the firm

3. Ethical action

-Firms must provide structures and approaches that allow decisions to be turned into ethical actions

-E.g. Companies offering employee hotlines to encourage ethical action

4. Ethical leadership

-Companies need to be able to stick to their word and show ethical behavior in their actions

-The ethical climate of an organization will weaken if one of these factors are missing

***Social responsibility** is a business's consideration of society's well-being and consumer satisfaction in addition to profits

***Businesses can demonstrate their social responsibility through annual reports on their websites or social audits, which are formal procedures that identify and evaluate all company activities that relate to social issues, such as conservation, employment practices, environmental protection, and philanthropy**

***A business's responsibilities to the general public**

-Taking care of public health issues such as smoking and obesity

-Protecting the environment by using biodegradable materials to make their products, for example

-Also known as green marketing, which is a marketing strategy that promotes environmentally safe products and production methods

-Firms can also use renewable sources of clean energy and develop sustainable agriculture

***A business's responsibilities to employees**

-Businesses should encourage diversity to enhance the quality of its workforce

-Corporate philanthropy is an organization's contribution to the communities where it earns profits

-e.g. cash contributions, donations of equipment and products, and volunteer work

-Can lead to a higher employee morale, enhanced company image, and improved customer relationships

-Cause-related marketing allows companies to tie their marketing efforts to their charitable giving

***A business's responsibilities to customers**

- Consumerism is public demand that a business considers the wants and needs of its customers when making decisions
- Product liability is the responsibility of manufacturers for injuries and damages caused by their products
- There are laws and regulations that prevent deceptive advertising
- Consumers have the right to choose the goods and services that they need and the goods that they want to purchase
- Consumers have the right to be heard in the sense that they should be able to express their valid complaints to the appropriate people
- *A business's responsibilities to employees
- There should be workplace safety in the sense that employees work in clean, sanitary, safe conditions
- There should be a way for employees to balance work life and family life
- There should be equal opportunity for everyone, regardless of gender or sexual orientation

RSM100 Chapter 3

***Economics** is the social science that studies the choices people and governments make when dividing up scarce resources

***Microeconomics** is the study of small economic units, such as individual consumers, families, and businesses

***Macroeconomics** is the study of a nation's overall economic issues, such as how an economy maintains and divides up resources and how a government's policies affect its citizen's standards of living

MICROECONOMICS

*Demand and price have an inverse relationship, while supply and price both increase together

*The **demand curve** is a graph of the amount of a product that buyers will purchase at different prices

*A movement along the demand curve is caused by changes in price, and this is called the quantity demanded

*Factors that shift the demand curve are customer preferences, number of buyers, buyers' incomes, prices of substitute goods, prices of complementary goods, and future expectations for prices

*The **Supply curve** is a graph that shows the relationship between different prices and the amount of goods that sellers will offer for sale, regardless of demand

*Factors that shift the supply curve are costs of inputs, costs of technologies, taxes, and number of suppliers

*Often times, demand and supply change at the same time

*The intersection between the demand and supply curve is called the equilibrium price

*Markets will tend to move towards equilibrium

MACROECONOMICS

*Most industries operate on the private enterprise system, also known as capitalism