

Chapter 23

Social Responsibility

Impact on stakeholders - Investors/ Employees/ Suppliers/ Customers/
Government/ Local Communities;

Business Ethics;

The Environment;

Effects on Costs and Revenues

2019 Q2 (A)

Read the information supplied and answer the questions which follow.

The Dough Bros Pizzeria

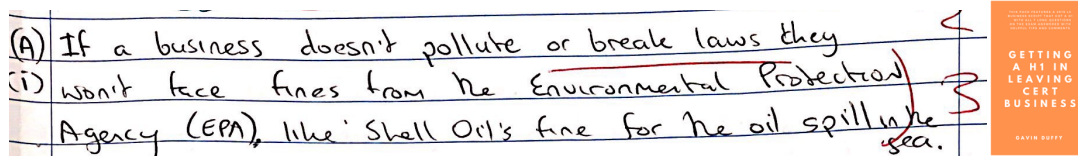
The Dough Brothers serve authentic wood-fired pizza at markets, events and private parties. The brothers recently switched from single-use plastic to biodegradable cutlery and napkins. (Adapted from The Irish Times July 2018)

- (i) Discuss the importance for a business of being environmentally responsible.
- (ii) Outline **two** measures, other than the measure outlined above, a business could consider in its effort to become more environmentally responsible.

MS: 3@5(2+3) 2@5 (2+3)

- (i) 1. Using products made from recycled material will reduce a business' impact on the environment.
2. Reducing waste and packaging can reduce a business' costs as they will pay less to recycle unwanted leftovers and waste disposal services.
3. Good PR for the business on social media for being environmentally friendly. Can help attract new customers and increase sales.

Other: Improve sustainability, attract staff/investors, comply with regulations/fines



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Environmental Audits

Independent studies of how the business impacts the environment. This makes the business more environmentally aware so they can reduce negative environmental impacts.

Encourage Car Pooling

They could reward staff that share commutes to or from work in order to reduce petrol use by their employees.

Other: Recycling, Limit packaging, Source Sustainable raw materials/use local suppliers and so reduce carbon footprint, Training of employees to be more environmentally aware, Compliance with environmental laws, Renewable Energy

The Business Guys

2020 Q2 (A) Read the information supplied and answer the questions which follow.

Intel Ireland won 'The Green Manufacturer Award' at the 2019 Green Awards. John Sisk and Son won 'The Green Business of the Year Award' at the 2020 Green Awards.

- (i) Discuss **three** characteristics of an environmentally responsible business.
 (ii) Outline **one** impact on a business of meeting its environmental responsibilities (20)

MS: (i) 3 x 5m (3+2) (ii) 5m (3+2)

(i) 1. An environmentally responsible business could adopt the 4Rs: reduce, reuse, recycle and recover. If waste is produced, every effort should be made to reuse it, if practicable, so minimal waste is achieved and the safe disposal of waste is adhered to.

2. Pollution prevention is used over pollution control, so the use of processes, practices, materials, products or energy sources that avoid or minimise the creation of pollutants and waste, and thereby reduce the risk to health and the environment

3. A code of ethics can guide expected behaviours within an organisation. It is a formal written statement encouraging a culture of openness, consultation, honesty and awareness of environmental issues etc.

Other: Environmental audits; Using sustainable resources; bike friendly infrastructure

(ii) *Implications can be positive or negative*

Customer loyalty

Customers tend to stay very loyal to businesses that are environmentally, socially and ethically responsible. Most people who have a social conscious will think twice before purchasing from businesses who are not environmentally responsible.

OR

Increase in production costs

Sourcing environmentally responsible machinery, raw materials etc is expensive. This can increase production costs. This results in higher prices to be charged to consumers in order to make a profit.

2015 Q2 (C)

Protecting and managing Ireland's environment is a shared responsibility. It involves Government and public bodies; businesses and industry; as well as members of the public, working in partnership." Environmental Protection Agency (EPA).

Discuss how a business could operate in an environmentally conscious way.
(20 marks)

MS: 4 @5m(2+3) (Similar Q asked in 2010 with examples)

1. A business could look to become more **sustainable** by introducing **cleaner production methods**, substituting some raw materials for more **renewable sources** and changing towards more **energy sources** that are renewable.

2. A business could try to improve its **waste disposal**. The business could adopt the **4Rs: reduce, reuse, recycle and recover**. If waste is produced, every effort should be made to reuse it, if practicable. The business should ensure **safe disposal of waste** e.g. no dumping in rivers

3. A business could look to **reduce pollution** by **changing practices and processes** to minimize the production of waste/pollutants.

Reducing pollution rather than **controlling** pollution (prevention) is the aim.

This **reduces the risk to the environment** and society living in it.

4. Develop a **formal written statement (Code of ethics)** setting out the **standard of behaviour** expected from a business when dealing with the **environment** and the wider community in which it operates. This will help create a culture of **openness, consultation, honesty and awareness** of environmental issues etc...

Others: Regular environmental audits; Advice from the EPA (Environmental Protection Agency); (rewarding "Green" initiatives); Honesty in reporting accidents; Market Research to create greener products; Consult stakeholders; Planting of trees/green spaces.

2012 Q2 (C)

- (i) Define the term 'Business Ethics'.
 (ii) Outline how ethical behavior in business can be encouraged. (15marks)

MS: 5 marks (2+3) 2 @ 5 marks (2+3)

(i) It is a set of **moral rules and standards** that provide **guidelines** for **right** and **truthful behaviour** in business situations with its **various stakeholders** such as employees, customers, suppliers and the community in which it operates.

Business ethics is concerned with **right and wrong, fairness, honesty and respect** in a **business context, regardless of the impact on profits**.

(ii) **Establishing a code of ethics**

A code of ethics is a **formal written statement** setting out the **expected behaviour** for its employees/managers when dealings with employees, customers and the community in which it operates.

This gives employees and managers standards of behavior to follow, making them more ethical.

Encouraging 'whistle blowing'

This involves **encouraging staff** to **report unethical behaviour** by creating a climate where whistle blowing is **rewarded**.

This will **discourage unethical behavior** as employees know it will be reported.

Staff Training

A code of ethics should be presented to staff at **induction training** and **reminder training** should include modules on ethical behaviour.

Reminding and **leading by example in actions** will **teach** employees to act in a more ethical manner.

Other: Discipline procedures/rewards (Unethical behaviour could be punished by **fines, demotion or dismissal**.)

4 given but you only needed 2 for full marks

2017 Q2 (B)

- (i) Explain the term code of ethics.
- (ii) Outline the benefits and challenges for a business of introducing a code of ethics. (20m)

(i) A code of ethics is a **formal written statement** created by a business, setting out the **expected behaviour** for its **employees/managers** when dealing with **employees, customers and the community in which it operates**.

(ii)

Sets High Standards

This gives employees and managers **standards of behavior to follow**, making them more ethical. By explicitly stating expected behavior, it's **easier** for staff to know what is expected of them.

Encouraging 'whistle blowing'

This involves **encouraging staff to report unethical behaviour** by creating a climate where whistle blowing is **rewarded**.

This will **discourage unethical behavior** so the business is less likely to have their image tarnished by unethical behavior being reported about them in media.

Changing Norms

It can be very **difficult to change culture and practices** within a workplace. Staff may feel that a code of ethics being introduced means they **aren't trusted** and that the management thinks they've done **something wrong**. They may be **resistant** to any changes introduced.

Costs

A code of ethics should be presented to staff at **induction training** and **reminder training** should include modules on ethical behaviour. This would add to the time and money spent by the business on training.

2016 Q2 (C)

Corporate Social Responsibility refers to how businesses interact with their stakeholders on a daily basis including investors, employees, suppliers, customers, and government.

Discuss the social responsibilities of a business to any four stakeholders referred to above. (20 marks)

MS: (MS for similar Q asked in 2009) 4 @ 5 Marks (1+2 +2)

1. Investors: A business should **present true and fair reporting of accounts** and give investors a **fair return in dividends**, and it should **avoid excessive payments** to **senior management**. It should act in accordance with the **Memorandum and Articles of Association**.

2. Employees: Adhere to **Employment Law, Health and Safety Regulations** and provide a **safe working environment**.

They should pay a **fair wage to all employees**, treating them all with **respect and dignity**, respecting proper **working hours, minimum wages** etc... **Equal opportunities** for **promotion** and **pay** should be given to all employees.

3. Suppliers: Pay in **full** and **on time** for goods purchased. They should allow **open tendering** i.e. it should be an **open and fair process**, not choosing a friend's business.

4. Customers: A business should use **fair and honest advertising** and give the customer their **right to complain**, and look in to their complaints. Goods sold should be of **merchantable quality**, match their **description**, be **fit for purpose** etc...

5. Government: A business should pay all their taxes due to the Government in **full and on time (Corporation Tax, VAT, collect PAYE)**. They shouldn't **evade** paying their taxes. They should stick to all relevant legislation – Equality Act, Company Law and make sure to listen to government bodies e.g. Environmental Protection Agency.