



Course Learning Outcomes for Unit II

Upon completion of this unit, students should be able to:

2. Summarize the importance of business ethics and social responsibility.

Reading Assignment

Chapter 3:

The World Marketplace: Business Without Borders

Chapter 4:

Business Ethics and Social Responsibility: Doing Well by Doing Good

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Unit Lesson

Unit II identifies the advantages and disadvantages of expanding businesses to a global market. There are opportunities and barriers that affect American business in foreign countries. Many countries believe in free trade and have eliminated restrictions in order to promote trade. This is important because it makes it much easier for businesses to produce and sell goods and services abroad. This unit also assesses how business ethics and a commitment to social responsibility can play a vital role in a company's success.

Chapter 3: The World Marketplace: Business without Borders

There are advantages for businesses to produce, buy, and sell products and services in a global market. Businesses can have a competitive advantage, attain opportunity cost, and even have an absolute advantage with some products. This means that when you talk about clothing, you may think of China, or when you think about high performance cars, Germany comes to mind.

Some countries have restrictions that deter free trade. Businesses need to hurdle over barriers. Some of the barriers fall into socio-cultural differences, economic differences, and/or legal/political barriers. The best way to alleviate these disparities is to do some homework. There are alternative ways to break down these barriers that businesses need to consider, such as joint ventures, partnerships, and strategic alliances.

Businesses need to analyze economic differences such as a country's infrastructure, transportation, communications, energy, and finances. The country's laws and regulations have a large impact on how to do business. The political climate sets the stage for stability.

Of course, trade restrictions impact a business expansion. Many countries use tariffs, quotas, and voluntary export restraints to restrict trade. These restrictions protect domestic industries and jobs. On the bright side, free trade is growing and opening the doors for business opportunity.

Chapter 4: Business Ethics and Social Responsibility: Doing Well by Doing Good

Business ethics also plays a major role in a company's success. The goal is to follow the law and be ethical at the same time. This can be a challenge for some. For example, a business can produce a product in a foreign country using child labor, while adhering to the law in that country. Using child labor allows the company to increase their profit, be more competitive, and grow their business. The company is now doing what is best

for the shareholders, but not following the company code of ethics, which likely dictate that it is unethical to use child labor. Most organizations will use the law as a guideline, therefore allowing a place for an ethical decision. There are also many organizational situations that may lead to an ethical dilemma. For example, a company has a major project that must be completed in two weeks. The project requires a salaried employee, who typically works Monday through Friday (5 days a week), to also work on Saturday and Sunday (7 days a week). The company expects the employee to rise to the occasion and receive no additional income or days off. Clearly, ethical dilemmas present challenges to do what must be done but also what is right and fair.

An organization's code of ethics helps guide a person to make the best ethical decisions that meet the values of the organization. In order for this code of ethics to have a positive impact on the company, there needs to be leadership, clear vision for ethical behavior, workshops or training on an annual basis, maintenance of a global ethical presence, support for a clear and trusted reporting system, and an enforceable ethical code in order to establish accountability. Many organizations that hold ethical behavior as a top priority will hold a yearly workshop. The objective is to review the company policies and make it very clear what is the expected ethical behavior. To hold its employees accountable and make sure there is no question about what is ethical behavior, an organization may require all employees to sign an agreement of understanding, which is placed in the employee's personnel files. Recall how bad ethical behavior of a few employees at Enron resulted in consequences for all stakeholders. Clearly, organizations must invest time and resources to maximize good ethical behavior.

Most organizations maintain a commitment toward social responsibility. There are many ways a corporation can contribute to society. One way is corporate philanthropy, such as giving money to a university. Another means of supporting communities is by direct corporate responsibility. For example, Cisco has developed relations to recruit and hire disabled veterans. Also, many companies are concerned about our environment and have taken steps to improve the earth. UPS uses electric vehicles in many metropolitan cities as their way to help improve the environment. Many organizations are also using sustainability as a social and economic practice. For example, a sustainable organization might use "Backcasting," which is a strategy that examines the past in order to try and predict the future (Hartman & DesJardins, 2008, p. 387). One additional strategy—the Triple Bottom Line approach—demonstrates how "sustainable business and sustainable economic development seek to create new ways of doing business in which business success is measured in terms of economic, ethical, and environmental sustainability" (Hartman & DesJardins, 2008, p. 372). The apparent objective is that companies become environmentally and fiscally responsible for the overall good of society. With certainty, corporate responsibility indirectly adds to the bottom line. About 80% of Americans consider corporate citizenship when purchasing products and services. In a capitalistic society, the number one objective is to earn a profit. Yet today, an organization must be an ethical organization, while also a good corporate citizen.

Reference

Hartman, L., & DesJardins J. (2008). *Business ethics: Decision-making for personal integrity & social responsibility*. Boston, MA: McGraw-Hill.