

Importance of Business Ethics & Social Responsibility of a Business

AAT Level I
BEN - Business Environment

Susantha Weerakoon
B.Sc. (MIS), MBA (ISM), PHD (Business Psychology)



JMC Jayasekera Management Centre (Pvt) Ltd
Pioneers in Professional Education

65/2A, Chittampalam Gardiner Mawatha, Colombo 02 | T: +94 112 430451 | E: info@jmc.lk | F: +94 115 377917

Influences of the Government to Business, the Importance of Business Ethics and Social Responsibility of a Business



A Government works to achieve the following economic goals

Economic Growth and Development

Full Employment

Economic Stability

Equitable Distribution of Income

Creating a Good International Trade

Sustainable Development

Economic Growth and Development

- Economic growth refers to **the growth of real national income** over a **long period of years**.
- Economic development is a **process of distributing the benefits of economic growth among the entire nation** and improving their quality of life
- As a result the **quality of human life should be improved**.



Full Employment

- A state in which **all the resources of a country are utilized for production** can be referred to as **full employment**. The government **aims to create full employment through reducing unemployment** and achieving higher employment.



Economic Stability

- This is to **maintain and grow the economy of a country without unnecessary fluctuations**
- Economic stability can be achieved by focusing on the stability of the country's **average price or price stability, employment stability** and the **Stability in balance of payment**.



Creating a fair Income Policy

- The government's objective is to **equitably distribute** its **national product among the entire population of a country**
- The government will **impose the taxes and implement welfare activities** in order to achieve this.



Creating a good International Trade

- It is the intention of the government to **maintain all its affairs with the outside world in a favorable manner**
- It focuses **especially on the balance of payment.**
- That is, **maintaining a stable balance of payment without any unnecessary deficit or surpluses** will lead to a leading a better international trade.



Sustainable Development

- Sustainable development means, the **development that meets the needs of the present, without violating the right of meeting the needs of the future generation.**
- Sustainable Development is built on three pillars
 1. **Economic** Sustainable Development
 2. **Environment** Sustainable Protection
 3. **Social** Sustainable Development



Businesses contribution to the government in order to accomplish the government's economic objectives

Contributing To Employment

- The business sector leads an **increase in the employment rate** by **hiring human resources for firms**
- This condition **allows the government to accomplish its objectives**



Minimizing The Damage To The Environment

- The environment can be viewed as a field of **sustainable development which is currently evolving**
- **Businesses are moving towards an environmentally friendly** approach and **reducing environmental damage in every business decision and action.**



Businesses contribution to the government in order to accomplish the government's economic objectives

Use of Local Resources

- Increasing the country's resources for business purposes and using local resources would improve purchasing power of people
- The contribution to the country's economic development, economic growth and full employment is therefore higher.



Paying Taxes Properly

- Businesses pay from time to time, based on their income or profits, without defaulting on the government tax
- It will provide the necessary funds to carry out the role of the government.



Businesses contribution to the government in order to accomplish the government's economic objectives

Follow the policies of the Government

- Businesses are bounded to implement the policies that the government implements from time to time
- As a result, entrepreneurs contribute immensely to the implementation of the Government's Fiscal Policy and other relevant policies in the economy



Binding and Adherence to Rules

- Businesses comply with the rules and regulations enacted by the government from time to time
- It helps businesses to create a good business environment.



The Importance of Business to Government Interactions

- The relationship between government and the business has the **potential to serve both governmental and business objectives**.
- The **Government will contribute greatly to business growth and development** by providing the necessary infrastructure, tax concessions, political stability, market facilities and other things that the private sector cannot achieve without the Government support.
- On the other hand, **businesses contribute to economic growth** by contributing to employment, providing more employment and using local resources, and increasing GDP through the production of goods and services



The Importance of Business to Government Interactions

- Similarly, businesses appear to be contributing to the **increase in government revenue by paying taxes on time**
- When businesses **carry out their business activities, complying with the rules and regulations** imposed by the government and managing waste in order to **achieve the sustainable development** expected by the government, they would make it easier for the government to do so.



Influence of the Government on the Enterprises to Achieve Various Objectives of the Government

Objectives of the Government

- Management of **economic activities**
- Providing welfare facilities for the unemployed, **low income earners and pensioners**
- **Controlling market monopolies** and **enhancing competitiveness**
- Supply of **public and welfare items** not provided by the private sector
- Taking actions to **protect the environment**
- **Protect consumers** from unfair competition, trade misconducts, etc.
- **Fair distribution of wealth and income**, or reduction of income inequality
- Ensuring a **person's freedom of choice**
- **Protecting the social environment** and the culture



The Ways of Government Influences on Businesses

Influence of the Government on Business as a Customer

Influence of the Government on Business as a Competitor

Influence On Businesses As a Provider of Infrastructure and Essential Services

Influence of Government as a Regulator

Influence of Government on Business as an Encouragement Provider

The Ways of Government Influences on Businesses

Influence of the Government on Business as a Customer

- The Government has a huge impact on businesses by **purchasing the various goods and services** that the **Government needs**. As a customer, the government's impact on the existence and development of businesses.



Examples;

- Purchase of office equipment and materials for the Government
- Purchase of various items such as weapons
- Obtaining Management Services, Consultancy Services, Engineering, Communication, Transportation, Banking



The Ways of Government Influences on Businesses

Influence of the Government on Business as a Competitor

- The government is also **doing some businesses with the private sector**. Government enterprises such as public corporations, departments and government entities, compete with the private sector businesses by providing goods and services to the market.

Examples;

- ❖ In transport
- ❖ Radio broadcasting
- ❖ Press releases
- ❖ In welfare activities such as education and health
- ❖ Postal and other communication services



The Ways of Government Influences on Businesses

Influence On Businesses As A Provider of Infrastructure and Essential Services

- Government **provides the infrastructure for starting and running a business** such as highways, communication networks, electricity water, education, health care, manpower development and security services.



The Ways of Government Influences on Businesses

Influence of Government as a Regulator

- **Administration and supervision of business activities** in a country is a responsibility of the government.
- There are many institutions set up for this purpose.

Examples:

- Central Bank of Sri Lanka
- Securities and Exchange Commission of Sri Lanka
- Insurance Regulatory Commission of Sri Lanka
- Department of the Registrar of Companies
- National Transport Commission
- Central Environmental Authority
- Consumer Affairs Authority
- Telecommunications Regulatory Commission of Sri Lanka



The Ways of Government Influences on Businesses

Influence of Government on Business as an Encouragement Provider

- The government has some incentives to run, expand and develop businesses.

Giving the incentives in various ways

- Providing financial facilities
- Tax reliefs, tax returns, tax exemptions
- Introduction of International Credit Schemes
- Providing technical know-how and techniques
- Market facilitation
- Provide Management Consultancy Services
- Provide training facilities to the employees



By providing financial support/ facilities, the government supports business development

Financial Support/Facilities

Mainly, the **concessionary loans given to businessmen** by state banks and other government institutions are considered. It provides the financing of various investment needs for fixed capital and working capital.

Government institutions which provide financial facilities

- ❖ National Development Bank of Sri Lanka
- ❖ Small and Medium Enterprises Bank
- ❖ The State Mortgage & Investment Bank - Sri Lanka
- ❖ DFCC Bank
- ❖ Regional and Rural Development Banks
- ❖ Lanka Puthra Development Bank



By providing financial support/ facilities, the government supports business development

Strategies used to provide financial facilities

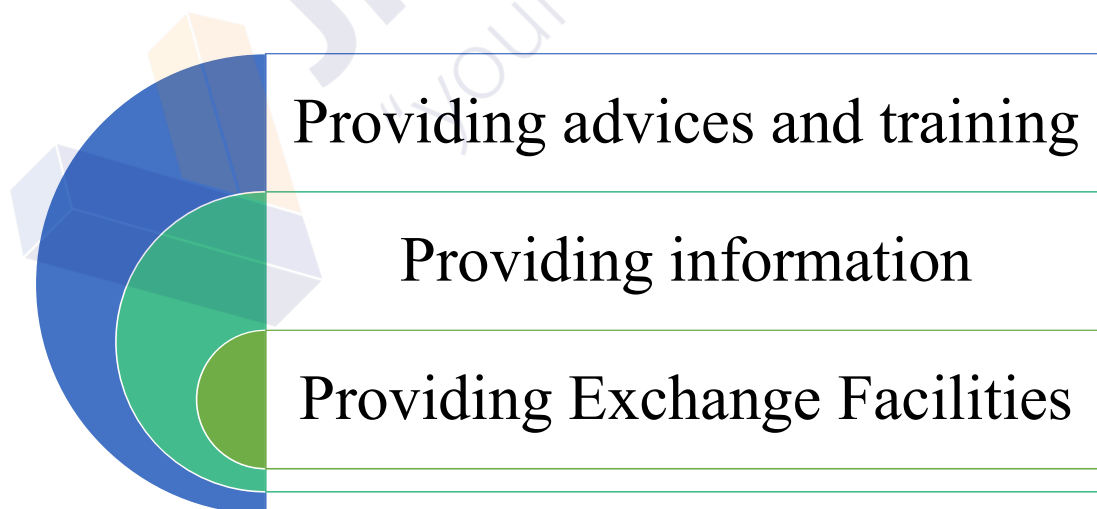
- ❖ Re-financing facilities
- ❖ Lending under simple conditions
- ❖ Introduction of leasing system
- ❖ Export Incentive Schemes
- ❖ Export Credit Guarantee Schemes



Various sectors of financing

- ❖ Agriculture loans
- ❖ Loans for building construction and repairs
- ❖ Industrial loans
- ❖ Import and Export loans
- ❖ Trade loans
- ❖ Short term financial needs

Government Support The Businessmen In Addition To Financial Support



Government Support The Businessmen In Addition To Financial Support

Providing Advices and Training

Providing the guidance different departments and other government agencies in various fields such as manufacturing, technology, quality control, business planning, and marketing and business financing.

Those are;

- ❖ Industrial Development Board
- ❖ Industrial Technology Institute
- ❖ National Institute of Business Management
- ❖ Export Development Board
- ❖ National Apprentice and Industrial Training Authority
- ❖ Sri Lanka Standards Institute
- ❖ National Institute of Design



Government Support The Businessmen In Addition To Financial Support

Providing Information

- A set of systems and methods are introduced by the government to provide the information that businesses need.
- The Department of Census and Statistics provides various information.
- Information relating to the export would provide by the Export Development Board and Department of Commerce.



Government Support The Businessmen In Addition To Financial Support

Providing Exchange Facilities

Provide special facilities when buying foreign currency for business purposes, minimizing the barriers to exchange transactions and granting permission to open foreign currency accounts.



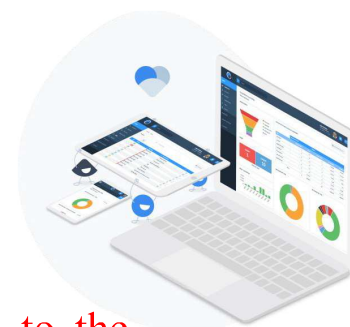
Facilities Provided By Government Institutions

Sri Lanka Business Development Center

- Improve management skills through training and guidance
- Design the private sector and the public sector in Sri Lanka to be the most productive business community
- Promote entrepreneurship

National Institute of Design

- Organization of New Design Contests
- Introducing new designs / industrial designs
- Introducing designs for new products that can be offered to the export market



Facilities Provided By Government Institutions

National Apprentice and Industrial Training Authority

- Organizing various vocational courses for school leavers
- Creating employment opportunities through attaching trained employees to different occupations
- Formulation of service standards on occupations

Sri Lanka Institute of Packaging

- Introducing new packaging methods
- Identify and address the bottlenecks in the packaging
- Organizing packaging courses



Facilities Provided By Government Institutions

National Institute of Business Management

➤ Management Development

Training of Public and Private Sector Managers and Related Supervisory Officers

➤ Conduct managerial research

Research and collect data on the relevant field

➤ Computer Services

Organizing training courses and preparing computer programs for various organizations under contract



Facilities Provided By Government Institutions

Industrial Technology Institute

1. **Provide technical advisory** services to industries
2. **Implementation of Technical Training Programs**
3. **Dissemination of technical knowledge** through information centers



Influence of Government on Business, as a **Tax charging Agent**

➤ Governments **impose various taxes** on businesses and influence business. Value Added Tax(VAT), Personal Income Tax, Product Tax (Excise), Business Profit Tax, Dividend Tax, Customs Duty, Motor Vehicle Registration fee are some of the examples

➤ The following institutions have been set up to collect those taxes.

1. Department of **Inland Revenue**
2. Department of **Excise**
3. **Customs Department** of Sri Lanka
4. Department of **Motor Traffic**



Influence of Government on Business as a Policy Maker

The **Fiscal Policy** and the **Monetary Policy** are implemented as a policy maker to ensure the economic development of the country which is the primary goal of the Government. The implementation of these policies has a major impact on the business.

Fiscal policy is the use of government revenue collection (taxes or tax cuts) and expenditure (spending) to influence a country's economy

Monetary policy is policy adopted by the monetary authority of a nation to control either the interest rate payable for very short-term borrowing (borrowing by banks from each other to meet their short-term needs) or the money supply, often as an attempt to reduce inflation or the interest rate to ensure price stability and general trust of the value and stability of the nation's currency.

Benefits of Business Registration

- Improving the reputation of businesses
- Opportunity to contribute to the development of the country
- High recognition of government
- Acceptance by the general public

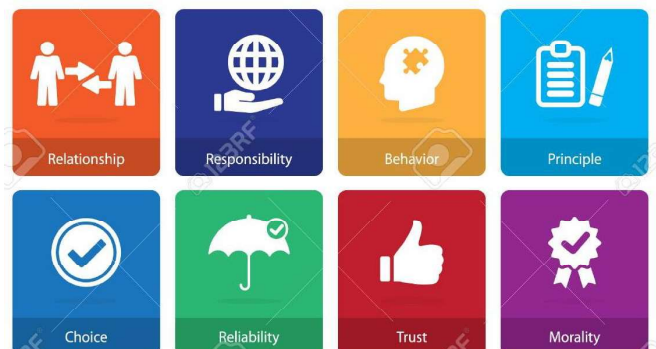


Business Ethics



Business Ethics

Business ethics is when a business operates in a way that is **beneficial to itself, to others, to society as a whole or do business** with a strong sense of good and the bad.



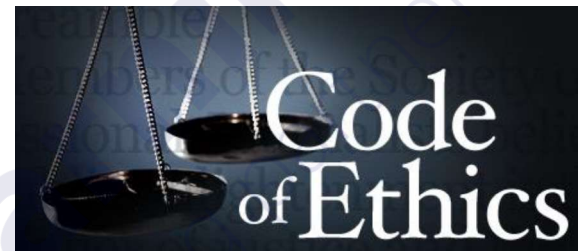
Code of Ethics

This is a **written code** which is **followed by the employees** or **ethical conduct of employees**. This **type of writing is intended to encourage employees to read, understand, and put into practice**.

It will **improve the reputation of the organization** and will help to **prevent any possible misconduct**

Benefits are expected from a Code of Ethics.

1. To **motivate employees** to **adhere to the same ethics**.
2. **Enhancing the reputation** of the institution.
3. **Preventing misconducts**.



Factors to be considered when creating a business ethics system

- **Nature** of the Business
- **Who are the owners** of the business, their attitudes, perceptions, norms, values, etc.
- **Who are the employees** of the business, their attitudes, perceptions, norms, values, etc.
- **Customer Care**
- **Competitors** and their intentions
- Understanding of the **social culture** of the business
- Organizational **culture**
- The **cost of implementation**

Benefits of establishing and implementing a Code of Business Ethics

- **Ensuring customer confidence** in the business
- **Financial efficiency**
- **Strengthening industrial relations** in the business
- **Ensure existence of the business by providing quality goods and services**
- **Secure Intellectual Property**



Business Ethics According To Business Functions

Ethics in Financial Management

The ethics of the financial sector can be built to **maintain high quality financial matters** in order to avoid potential misconduct in the financial sector

- **Irregularities** in the financial market
- Exchange **Fraud**
- **Frauds** in the stock market
- **Unnecessary payments** and **expenses**



Ethics in Human Resource Management

Ethics are important to mitigate and prevent conflicts and crises that may arise in relation to industrial relations or employer - employee relationships.

1. Employee **duties and rights**
2. Occupational **Insecurity**
3. **Health and Safety Management**
4. **Disciplinary**
5. Treating the **Equal**
6. **Sexual harassments**



Business Ethics According To Business Functions

Ethics in Marketing Management

Marketing ethics are used to **reduce discrepancies** through **pricing strategies**, **sales promotion strategies** and **advertising strategies**.

1. **Anti-competitive** behavior followed by businesses
2. To **mislead consumers** through **misinformation**

These ethical **practices enable the employees to be committed to the organization**, to deliver the products to customers in the highest standards to enhance the business credibility, and to maintain its business standards.



Business Ethics According To Business Functions

Ethics in the Production / Operations

The global has paid attention to the code of ethics. That is, **increasing environmental pollution and global warming**

Therefore, by establishing a code of ethics regarding production, the following objectives can be achieved.

1. **Control of man-made products** such as **narcotics, alcohol, weapons, chemical products etc.**
2. Minimize the **pollution**
3. **Keep an eye on artificial foods**
4. Imposing **restrictions on processed food and drinks** using modern technology
- 5 **Prevention or control** of accidents caused **by waves emitted from mobile phones such as radiation phones**



Business Ethics According To Business Functions

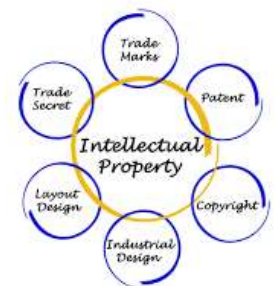
Ethics Related To Intellectual Property

What is **created by his/her intelligence, knowledge and skills** are **assets** which man can own.

1. Fraudulent **use of trademark, copyright or patents**
2. **Undermine employee skills**

Businesses are obliged to **act ethically**, just as they are **bound by the applicable rules and regulations**. Businesses must behave as follows;

1. **Compete fairly and honestly**
2. **Communicating only the truth**
3. **Not harming others, society, environment and the culture**



Situations That Violate The Ethics of Business

- Stealing **information** of the **competitive businesses**
- Stealing **business secrets**
- Stealing **employee rights and undermining employee skills**
- **Bribing employees of competitors**
- **Confidential Listening to Telephone conversations**
- **Issuing misleading messages**
- Providing **misinformation**
- Using the **properties, profits and managers** of the company
- **Change invoice prices** and defraud money
- **Sell secret information** to outsourcers and obtain money



Social Responsibility of Businesses

- In the early days, before the 21st century, business was concerned with making profits or dividends to shareholders
- The Sustainable Development Goals, has been a key target of the social responsibility of businesses since the beginning of the 21st century.

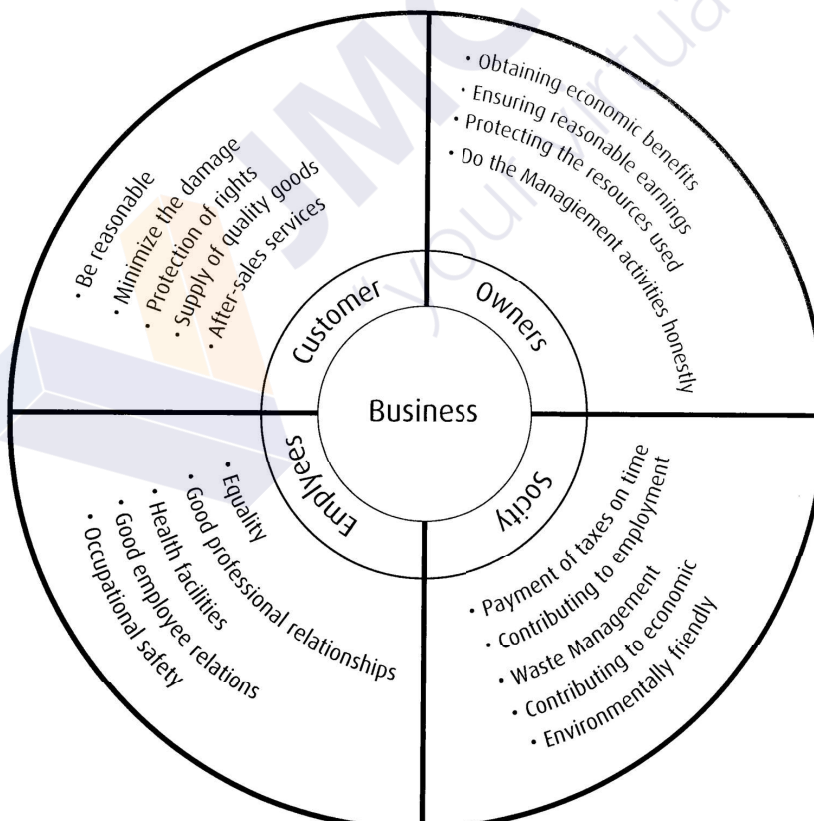
Definitions of Corporate Social Responsibility

- It is the responsibility of such businesses to be **committed to the upliftment of the living standards** of the country, its **employees and their families**, and to **contribute to the development and morality of the country**. - Milan Parker
- Social responsibility is the **responsibility of a business for its business activities and its impact on society** - United States of America



Definitions of Corporate Social Responsibility

- It is the social responsibility to create a business framework that is committed to promoting good economic development for the people, respecting employees, enhancing employee skills, protecting the environment and promoting moral enterprises – *Brazil*
- What businesses give back to society is social responsibility - *Philippine*
- Continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large - *World Business Council for Sustainable Development*



Social Responsibility of Businesses

The United Nations outlines four areas that businesses should prioritize as social responsibility

- Human Rights
- Employee Rights
- Environmental Protection
- Community Involvement



Social Responsibility Areas

The current era of corporate social responsibility runs through four areas.

1. Social Responsibility towards the **society**
2. Social Responsibility towards **Consumers**
3. Social Responsibility towards **Employees**
4. Social Responsibility towards **Investors**



Responsibility towards the Society

Global warming is also a serious threat to the world's people. Also, **acid rain** has **destroyed forests and reservoirs**. As a result, businesses are urged to intervene to reduce pollution and, as a result, consider the business environment as a social responsibility.

Social Responsibility Areas

Responsibility towards the Consumer

Businessmen need to follow the below mentioned steps to do so:

- Providing **accurate information** about goods and services
- Provision of goods and services **without altering**
- Price and **other activities as promised**
- Providing **quality products** to customers



Social responsibility is to be fair to all stakeholders, not just to their customers. There are two basic social responsibilities. That is;

1. To act in a manner that does **not harm the environment**
2. Do not act **insulting or divisive to any person in society**



Social Responsibility Areas

Social Responsibility towards Employees

Businesses must work to **ensure employee safety, health** and **equality**.

Social Responsibility for Employees can be fulfilled by following

- Taking measures to **improve employer-employee relationships**
- Conducting business ventures in a positive manner
- **Focus on employees' personal goals**
- Protection of **Equality of Work**
- **Adopt a safety program** to ensure occupational safety as well as healthy environment
- **Compensation for accidents and diseases**
- Implementation of **insurance policies for risk cover**



Disadvantages Of The Fulfillment of Corporate Social Responsibility

- Business **profit maximization is disrupted** when businesses **go with their social responsibilities**
- The efficiency of the **business is hampered**
- **Increase production costs** by incurring additional costs
- It is **difficult to compete with businesses that do not meet social obligations**
- Businesses tend **to unduly influence the social network**



Different approaches to Corporate Social Responsibility (CSR)

- In recent times, many companies seem to be **adopting different strategies to show that they are fulfilling their social responsibilities.**
- **Supporting children's education, launching projects to honor adults' leisure time and implementing environmental programs, etc.**

By incorporating a set of ethics into the broader process known as marketing, they have introduced strategies to meet their social responsibility by re-creating value

Reporting

Many organizations **publish institutional information and provide various financial information to the public.** This is also **provided as a legal requirement**

Transparency

That is to say, to do what is said and done



Different approaches to Corporate Social Responsibility (CSR)

By incorporating a set of ethics into the broader process known as marketing, they have introduced strategies to meet their social responsibility by re-creating value

Principles

That is, deciding in advance **what should be done and what should not be done within an accepted policy framework** in the conduct of one's business.

Codes

This is a reflection of the quality of information, respect for others

Accountability

That is, the **obligation to take responsibility for one's actions.**

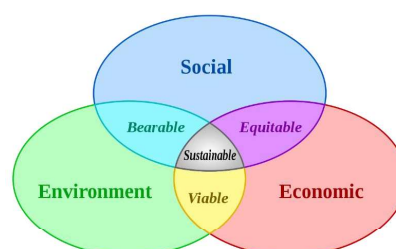
Verifiability

To **instigate their activity by reviewing themselves**



Sustainable Environment

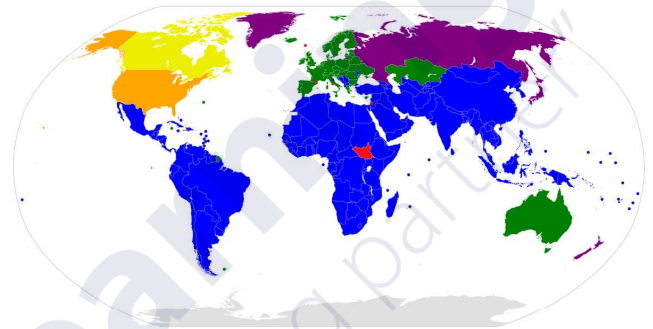
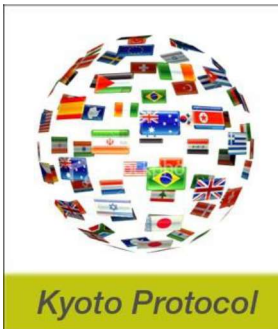
- Environmental sustainability is **responsibly interacting with the planet to maintain natural resources and avoid jeopardizing the ability for future generations to meet their needs.**
- We all know **what we need to do to protect the environment**, whether that is **recycling, reducing our power consumption by switching electronic devices off rather than using standby, by walking short journeys instead of taking the bus.** **Businesses are regulated to prevent pollution and to keep their own carbon emissions low.**



Sustainable Environment

This environment sustainability has been mainly discussed and formed an **agreement among the countries in the “Earth Summit”** which was held in Rio De Janeiro in 1992 with the participation of 178 countries. That **agreement is known as Kiyoto Protocol**. There are few conditions according to that protocol.

1. **Not doing any environment pollution activities** in any land
2. Not doing and **engaging in any activity** that **destroys the culture** of the country.
3. **Not signing any agreement** that destroy the bio diversity.
4. Reducing **the earnings profits** which earns in a way that destroys the natural environment.



THANK
YOU!