



# Unethical Business Practises

# Ethics

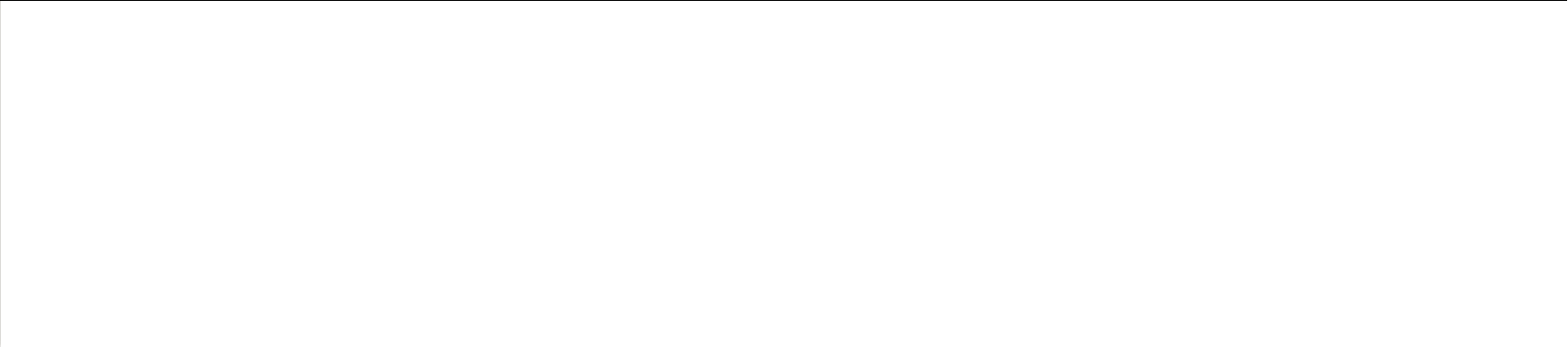
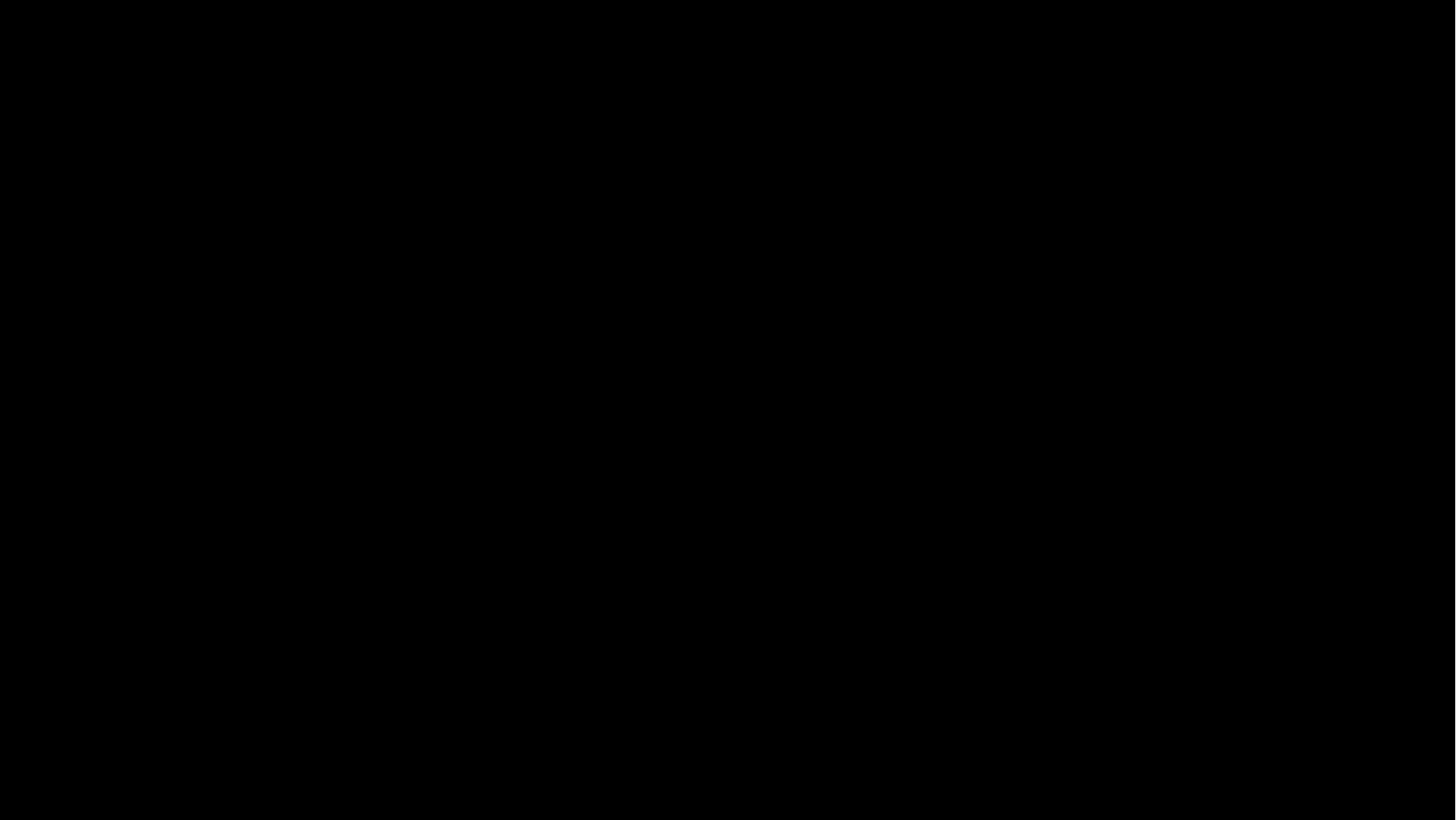
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- Business ethics – accepted principles of ✓ and X that direct the behaviour of business people

# Ethical behaviour and Business practise

- Ethics refers to conduct we perceive as right and wrong
- Business ethics – accepted principles of ✓ and X that direct the behaviour of business people



# Who/ What determines ethical behaviour?



# King Code iv



# King Code iv

- The King Code of corporate governance provides a framework for dealing with issues such as corporate governance, ethics and corruption
- Corporate governance – the way a company is governed & the relationship between the company and its stakeholders
- Reason for the development – occurrence of corruption in businesses

# King III focusses on

- Responsibility
- Accountability
- Discipline
- Fairness
- Leadership
- Independence
- Transparency
- Social responsibility



# The Code provides detail on B

- The boards and directors A<sup>2</sup>
- Audit committees R
- Risk Management S
- Managing stakeholder relationships
- Internal audit
- Integrated sustainability reporting and disclosure I
- Compliance with laws, regulations, rules and standards F
- Compliance and enforcement
- Fundamental and affected transactions C<sup>2</sup>



# Examples of unethical behaviour:

- See if you can guess what the following unethical behaviours are:

**LESS WRINKLES  
IN ONLY MINUTES**



*simulated imagery*

**TRY IT TODAY!**



[www.dermitage.com](http://www.dermitage.com)

# Viceroy

***FILTER***  
**the Smoke!**



As your Dentist,  
I would recommend  
**VICEROYS**





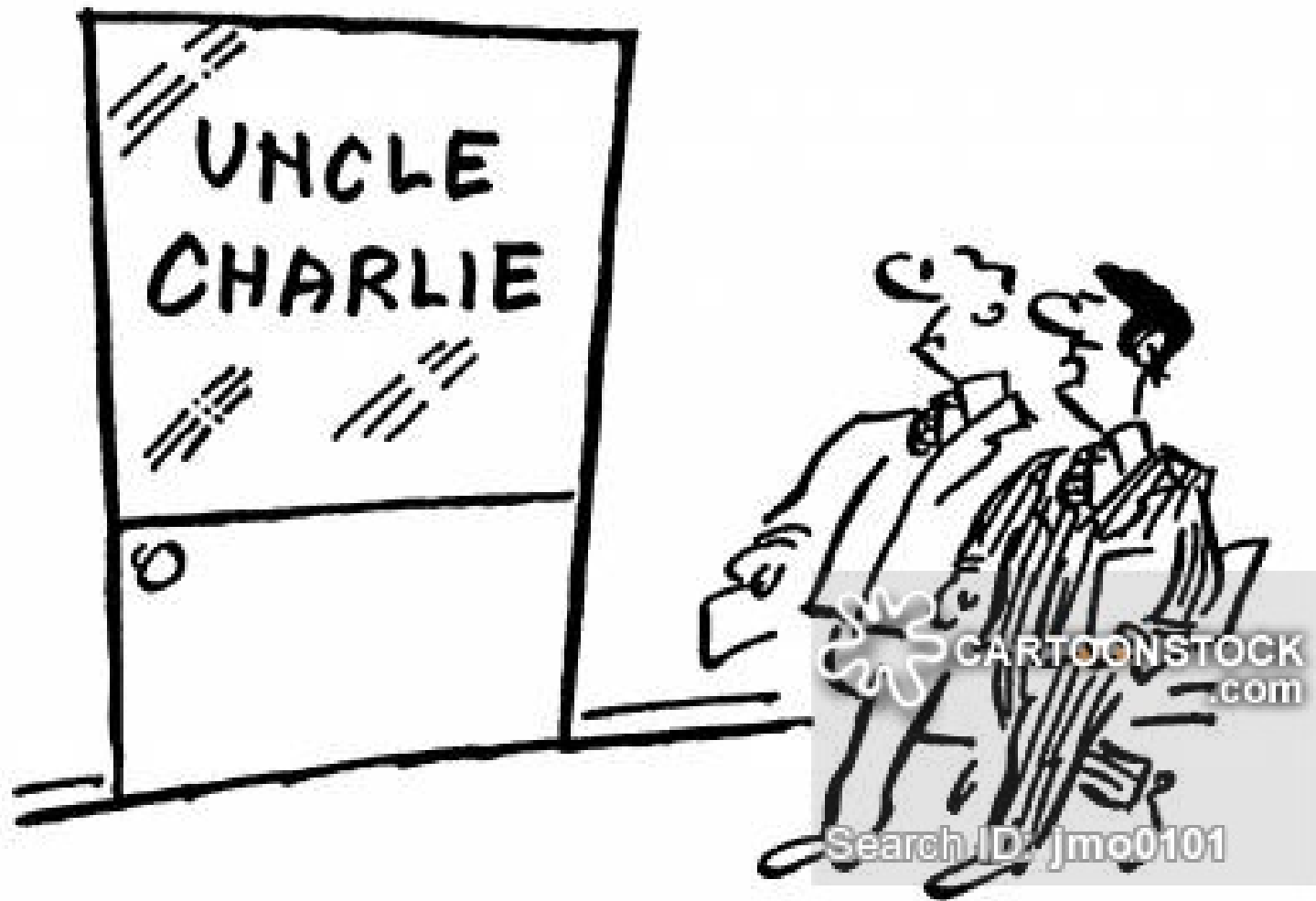
# Unethical Advertising





THE DAILY SHOW  
WITH TREVOR NOAH





*"There's far too much nepotism at this company."*

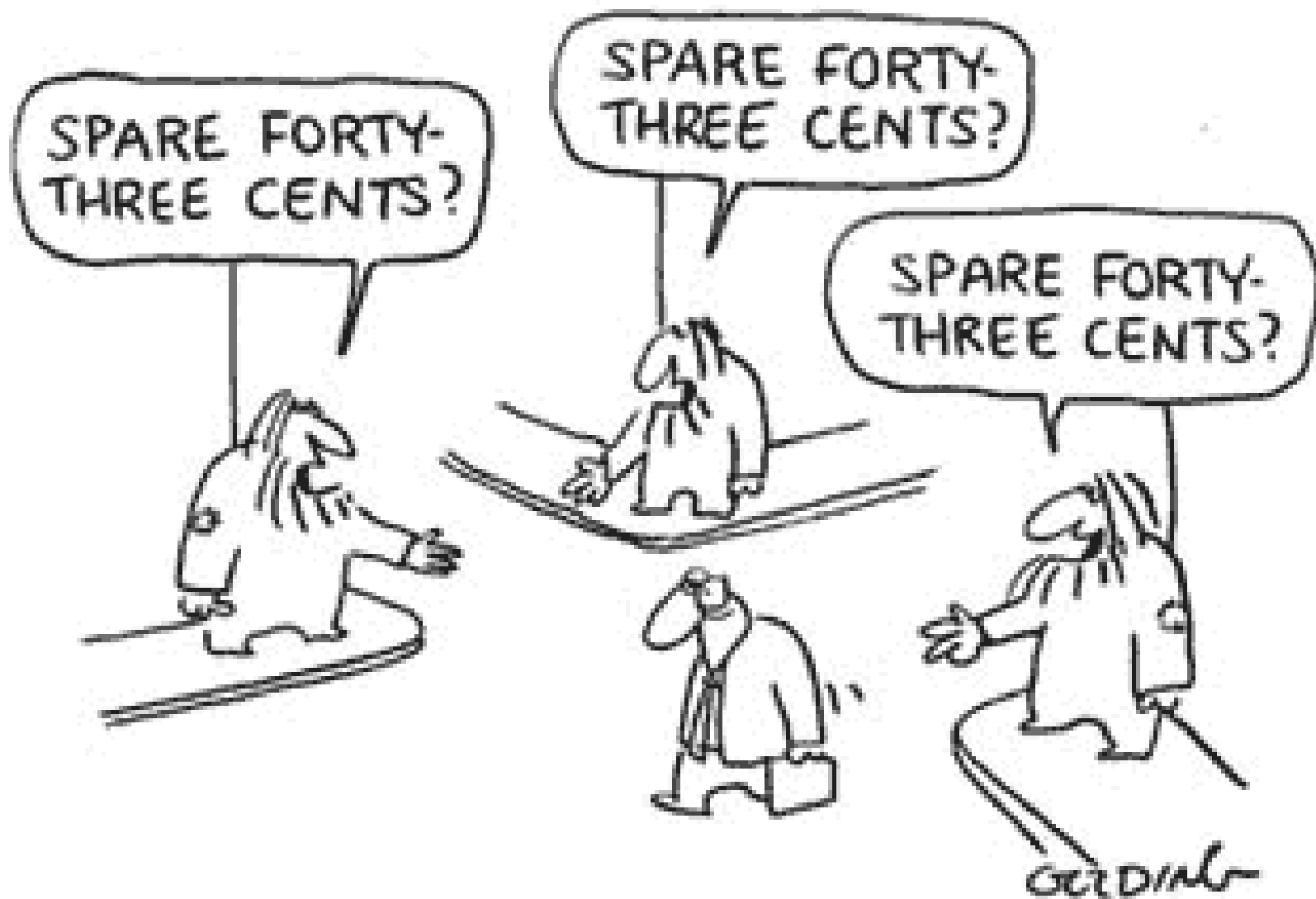
**MY FACE WHEN**

**YOU CURSE OUT A COWORKER, AND THEN  
THEY WANT TO ACT SHADY EVEN THOUGH  
THEY KNOW THEY WERE WRONG**





# Nepotism



LET'S BOTH  
RAISE OUR  
PRICES



# PRICE-FIXING





# Price-fixing

**SHOW ME THE**

**MONEY!!!!!!!**



# Tender

- Bribing officials to secure a tender









# Illegal dumping



# Professional vs Unprofessional behaviour

- Prof behaviour – appropriate behaviour for an occupation
- Prof behaviour involves doing what you are supposed to do while you are at work



# Unprofessional behaviour...







# Abusing work time







# Not being in time

My boss told me "Dress for the job you WANT, not for the job you HAVE."

Now, I'm sitting in a disciplinary meeting wearing my Batman costume.





# CASUAL FRIDAY

For when you don't want to have to come back on Monday.

I wrote down the appropriate clothing items that you have been wearing to work recently.





# Inappropriately dressed



**WHEN YOU HEAR SOMEONE SAY YOUR NAME**

**A FEW CUBICLES OVER**

**SNAPBACKS AND TATTOOS**

**ARE INAPPROPRIATE  
OFFICE ATTIRE**





# Conduct towards colleagues and employees

- Treat employees and colleagues with respect
- Don't gossip

Don't interrupt me at  
work when I'm busy  
Facebooking.



som<sup>ee</sup>cards  
user card

Sorry, I don't check my FB on the weekends... But you can reach me on there Monday-Friday from 9-5, while I'm at work.






# Pursuing personal gain at the employer's expense





# Dealing with clients and customers




# Ways in which ethical business practice should be conducted

Not starting a venture at the expense of someone else	<ul style="list-style-type: none"> <li>• The enterprise should make a positive contribution towards alleviating poverty, creating employment and uplifting society</li> </ul>
Payment of fair wages	<ul style="list-style-type: none"> <li>• Employees must be compensated for their contribution towards the company</li> <li>• Their efforts contribute to the success of the enterprise</li> </ul>
Regular payments of tax	<ul style="list-style-type: none"> <li>• Legislation compels businesses and individuals that generate income, to pay tax</li> <li>• If people or businesses evade tax, it is unfair to people who pay tax</li> <li>• Government uses tax to benefit the community</li> </ul>
Being environmentally responsible	<ul style="list-style-type: none"> <li>• Use resources in a sustainable manner</li> <li>• By being environmentally responsible, businesses ensure that future generations will also be able to enjoy natural resources</li> </ul>
Treating all employees equally	<ul style="list-style-type: none"> <li>• Unequal treatment of employees is not only unprofessional but it will create conflict in the workplace</li> </ul>



Ethical	Professional
<ul style="list-style-type: none"> <li>• Set of values that are morally acceptable</li> <li>• Businesses develop their own codes of ethics</li> <li>• Is a pre-requisite for being professional</li> </ul>	<ul style="list-style-type: none"> <li>• A set of desired practices</li> <li>• Specific occupational groups have developed their own codes of professionalism</li> <li>• Being professional means:               <ul style="list-style-type: none"> <li>• Appropriate behaviour</li> <li>• Performs tasks</li> <li>• Not perusing personal agendas</li> <li>• Represent employer with dignity</li> <li>• Keeping work-related promises</li> </ul> </li> </ul>

- The link is clear
- Unethical behaviour almost certainly also constitutes unprofessional behaviour
- However, being unprofessional doesn't always involve unethical behaviour



Issues that could challenge  
responsible, ethical and professional  
behaviour (NB!!!!)



Taxation

Sexual  
harassment

Pricing of  
goods in rural  
areas

Unfair  
advertising

Unauthorised  
use of funds

Abusing of  
worktime

# Taxation

Explanation	Strategy / Recommendation
<ul style="list-style-type: none"><li>• Government needs revenue from tax to provide essential services</li><li>• Professional behaviour would be to pay tax to SARS</li><li>• There are businesses and people who do not pay tax</li><li>• This is called tax evasion and that is a criminal act</li></ul>	<ul style="list-style-type: none"><li>• Reduce tax rates</li><li>• More people would choose to pay taxes instead of risking the penalties imposed on offenders</li></ul>

# Sexual Harassment

Explanation	Strategy / Recommendation
<ul style="list-style-type: none"><li>• Involves unwanted attention of a sexual nature from someone at work</li><li>• Includes:<ul style="list-style-type: none"><li>• Unwelcome sexual advances</li><li>• Request for sexual favours in return for employment benefits</li><li>• Pressure for sexual favours to clinch sales deals</li></ul></li><li>• It is immoral, wrong and unethical to abuse your position to take advantage of another person</li><li>• Employers should be proactive rather than reactive</li></ul>	<ul style="list-style-type: none"><li>• Formulating clear policies regarding sexual harassment.</li><li>• Making others aware of the problem and their rights and the rights of others</li><li>• Implementing complaints and disciplinary procedures</li><li>• Formulate and implement equity programme</li><li>• Cultivate a positive corporate culture</li></ul>

# Pricing of goods in rural areas

Explanation	Strategy / Recommendation
<ul style="list-style-type: none"><li>• Goods in rural stores are often more expensive than goods in urban stores</li><li>• Consumer Price Food Index for rural areas is considerably higher than in metropolitan areas</li><li>• Most of the stores in rural areas are located far away from major towns – they buy stock from wholesales and pay a high price for delivery to the rural stores</li><li>• The lack of infrastructure in rural areas result in rural store-owners often not having any competition</li><li>• Some store-owners abuse their monopolistic position by charging excessive prices</li></ul>	<ul style="list-style-type: none"><li>• Attention must be given to improve the infrastructure in rural areas</li><li>• Rural store owners can try to negotiate better prices from wholesalers</li><li>• Gain the goodwill of customers by building long-term relationships with customers</li></ul>

# Unfair Advertising

Explanation	Strategy / Recommendation
<ul style="list-style-type: none"><li>• Advertising Standards Authority (ASA) is a self-regulating body that was set up to regulate advertising</li><li>• National Consumer Commission (NCC) investigates deceptive advertising and has legal powers to stop deceptive advertising</li><li>• 3 categories of misleading advertisement practices:<ul style="list-style-type: none"><li>• Misleading prices</li><li>• Misleading promotion</li><li>• And misleading packaging</li></ul></li><li>• Unethical / unfair advertising practices include:<ul style="list-style-type: none"><li>• Giving goods deceptive names</li><li>• Using false/deceptive advertising</li></ul></li></ul>	<ul style="list-style-type: none"><li>• All advertisers must adhere to the Code of Advertising Practice as determined by the ASA</li><li>• All advertising should be legal, decent, honest and truthful</li><li>• The following points summarise some of the principles<ul style="list-style-type: none"><li>• Advertisements should not show anything which may encourage acts of violence</li><li>• Should not show anything which may encourage or support criminal or illegal activity</li><li>• Should not use fear tactics without justifiable reason</li></ul></li></ul>

# Unfair advertising cont....

Explanation	Strategy / Recommendation
<ul style="list-style-type: none"><li>• Selling second hand goods as new goods</li><li>• Discouraging or criticizing a competitor's goods</li><li>• Exploitation of children's lack of understanding of a product</li><li>• Misuse of people with disabilities in advertisements</li></ul>	<ul style="list-style-type: none"><li>• Advertisements addressed to, or likely to influence children should not contain anything which may cause them mental, moral, physical or emotional harm</li><li>• Anyone can lodge a complaint over unfair advertising with the ASA</li><li>• The ASA deals with all complaints, free of charge</li></ul>



# Unauthorised use of funds

Explanation	Strategy / Recommendation
<ul style="list-style-type: none"><li>• “without permission” and involves theft or fraud</li><li>• Some employees have access to funds of the enterprise, putting them in a position to use these funds</li><li>• Unauthorised use of funds involves:<ul style="list-style-type: none"><li>• Using the business’s petrol card to full up your car to go on a personal trip</li><li>• A partner who earned money on behalf of the partnership without telling the other partners about the earnings</li><li>• An employee who takes business supplies such as stationery, paper, or cartridges for personal use</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Limit employees who have access to funds</li><li>• Formulate a fraud prevention strategy</li><li>• Identify vulnerable areas</li><li>• Internal auditing</li></ul>

# Abusing work time

Explanation	Strategy / Recommendation
<ul style="list-style-type: none"><li>• It is unethical to use work time for personal matters</li><li>• Examples of abusing work time:<ul style="list-style-type: none"><li>• Personal telephone calls during working hours</li><li>• Downloading info for personal use from the internet</li><li>• Wasting time, e.g. going out to meet a client for “half an hour”. Returning to the office hours later</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Structure working hours in such a way that employees have free time for personal matters</li><li>• Allow employees to work flexible working hours</li><li>• Allow employees a particular number of phone calls, copies or data from the internet – after that employees must pay for themselves</li><li>• Employers should monitor phone calls, the number of copies and time on the internet</li><li>• Employers should remind employees that if expenses decrease profit will increase - bonuses</li></ul>