



BUSINESS STUDIES
GRADE 12
TERM ONE
CHAPTER 3
NOTES ON ETHICS AND PROFESSIONALISM
2019

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Learners must be able to:

- Define ethical behaviour
- Give practical examples of ethical and unethical business practice, e.g. using fair vs. unfair advertising techniques, etc.
- Give practical examples of professional and unprofessional business practices, e.g. good use of work time and abuse of work time, etc.
- Explain how businesses can apply King Code principles of transparency, accountability and responsibility for good corporate governance to improve ethical and professional business practices.
- Suggest/Recommend ways in which professional, responsible, ethical and effective business practice should be conducted, e.g. payment of fair wages, providing quality goods and services, not starting a business venture at someone else's expense, etc.
- Identify types of unethical/unprofessional behaviour from given scenarios/statements.
- Discuss/Explain the following unprofessional and unethical businesses practices:
 - Sexual harassment
 - Unauthorised use of workplace funds and resources
 - Unfair advertising – definition and examples
 - Pricing of goods in rural areas
 - Taxation/Tax evasion
 - Abuse of work time
- Identify the above mentioned unethical/ unprofessional behaviour from given case studies/business scenarios
- Recommend/Suggest improvements for the above mentioned unethical business behaviour/ practices.

Term	Definition
Business ethics	Ideas about what is morally correct or not applied in a business situation.
Ethical behaviour	Acting in ways consistent with what society and individuals think are good values.
Business practice	A procedure/rule employed or followed by a business in the pursuit of its objectives.
Professionalism	Describes the internationally accepted standards/expectations that society has of people's conduct and levels of competence in the workplace.
Tax evasion	When a business does not declare all their income to SARS with the aim of paying less tax.
Corporate governance	The exercise of ethical and effective leadership by the board of governors of a business towards achieving good performance/ effective control/sustainability and profitability.
Accountability	Holding directors and officials responsible to stakeholders for their decisions and action.
Transparency	Directors and managers are expected to operate in a manner that is easy for stakeholders to understand what actions are performed.
Responsibility	The legal and moral obligation of the business in relation to the economic, social and natural environment within which it operates.

Meaning of ethical behaviour

- Refers to acting in ways consistent with what society and individuals think are good values.
- Ethical behaviour is expected from every employee in the business.
- It means that the highest legal and moral standards are upheld when dealing with stakeholders.

Examples of ethical and unethical business practice

Ethical business practices	Unethical business practices
<ul style="list-style-type: none"> • Using fair advertising • Clients and employees information are not disclosed/used for the benefit of the business. • Business deals are conducted openly. • Paying fair wages • Operating within the law • Ensuring that the environment is not polluted. • Not engaging in illegal business practices • Not using child labour • Adopting codes of good ethical practice. • Establishing corporative social responsibility initiatives. • Encouraging employees to adopt ethical behaviour. • Treating all employees equally • Shareholders and employees personal interest and business interest do not conflict with one another. 	<ul style="list-style-type: none"> • Unfair advertising • Pricing of goods in rural areas • Taxation/Tax evasion • Starting a venture at the expense of someone else • Paying employees unfair wages • Disobeying the law • Using bribery to gain business • Engaging in illegal business practices • Polluting the environment

Examples of professional and unprofessional business practice

Professional business practice	Unprofessional business practice
<ul style="list-style-type: none"> • Using polite language to colleagues. • Good use of work time • Keeping clients details confidential/Not using clients' information for personal gain. • Treating all people the same. 	<ul style="list-style-type: none"> • Using rude/impolite language • Abuse of work time. • Discussing clients' information/using clients' information for personal gain. • Giving some people special favours. • Overstating the number of hours worked. • Unauthorised use of business resources.

Differences between professionalism behaviour and ethical behaviour

Professional behaviour/Professionalism	Ethical behaviour/Ethics
<ul style="list-style-type: none"> Refers to what is right/wrong/acceptable in a business 	<ul style="list-style-type: none"> Refers to the principles of right and wrong/acceptable in society
<ul style="list-style-type: none"> Set of standards of expected behaviour 	<ul style="list-style-type: none"> Conforms to a set of values that are morally acceptable
<ul style="list-style-type: none"> Applying a code of conduct of a profession or business 	<ul style="list-style-type: none"> Forms part of a code of conduct to guide employees to act ethically
<ul style="list-style-type: none"> Focuses on developing a moral compass for decision making 	<ul style="list-style-type: none"> Focuses on upholding the reputation of a business/profession
<ul style="list-style-type: none"> Includes guidelines on employees' appearance/communication/attitude/responsibility, etc. 	<ul style="list-style-type: none"> Involves following the principles of right and wrong in business activities/practices/dealings

Ways in which businesses can apply King Code principles for good corporate governance**Transparency**

- Decisions/Actions must be clear to all stakeholders.
- Staffing and other processes should be open and transparent.
- Employees/Shareholders/Directors should be aware of the employment policies of the business.
- Auditing and other reports must be accurate/ available to shareholders/employees.
- Regular audits should be done to determine the effectiveness of the business.
- Business deals should be conducted openly so that there is no hint/sign of dishonesty/corruption.
- Businesses should give details of shareholders' voting rights to them before/at the Annual General Meeting (AGM).
- The board of directors must report on both the negative and positive impact of the business on the community/environment.
- The board should ensure that the company's ethics are effectively implemented.

Accountability

- There must be regular communication between management and stakeholders.
- Company should appoint internal and external auditors to audit financial statements.
- The board should ensure that the company's ethics are effectively implemented.
- Businesses should be accountable/ responsible for their decisions/actions.
- Businesses should present accurate annual reports to shareholders at the Annual General Meeting (AGM).
- Top management should ensure that other levels of management are clear about their roles and responsibilities to improve accountability.

Responsibility

- The business/ board should develop and implement programmes that should be aimed at protecting the communities in which they operate.
- The business/ board should develop remedial programmes to protect the environment for example, reduce air and water pollution.

Ways in which professional, responsible, ethical and effective business practice should be conducted

- Businesses should treat all their employees equally, regardless of their race/colour/age/gender/disability etc.
- Mission statement should include values of equality/respect.
- Treat workers with respect/dignity by recognising work well done/the value of human capital
- Pay fair wages/salaries which is in line with the minimum requirements of the BCEA/Remunerate employees for working overtime/during public holidays.
- All workers should have access to equal opportunities/positions/resources.
- Plan properly and put preventative measures in place.
- Ensure that employees work in a work environment that is conducive to safety/fairness/free from embarrassment.
- Refrain from starting a venture using other businesses' ideas that are protected by law.
- Engage in environmental awareness programmes/Refrain from polluting the environment, e.g. by legally disposing of toxic waste.
- Employers and employees need to comply with legislation with regard to equal opportunities/human rights in the workplace.
- Businesses should develop equity programmes/promote strategies to ensure that all employees are treated equally regardless of status/rank/power.
- Training/Information/Business policies should include issues such as diversity/discrimination/harassment.
- Employers should respond swiftly and fairly to reported incidents of discrimination in the workplace.
- Orders/Tasks should be given respectfully and allow the recipient/employee to have a say in the manner in which the task should be performed.

Types of unethical/unprofessional business practice and examples

Type of unethical/Unprofessional business practices	Examples
Sexual harassment	-Manages who promise employees promotions if they agree to have a relationship with them.
Unauthorised use of workplace funds and resources	-Employees who download music and movies using the business's resources -An employee who uses business resources for his/her own personal gain.
Abuse of work time	-Making personal calls during work hours. -Taking extended lunch breaks -Doing personal business during work hours
Unfair advertising	-Giving goods deceptive names/False labelling. -Selling second hand goods as new goods. -Exaggerating the merits of the product/False promises

	-Using fine print to conceal important information. -Criticising competitor's goods. -Exploitations of children's lack of understanding. -Misuse of people with disabilities in advertisements. -Advertising that encourages violence. -Advertising goods at a very low price to attract customers but when the customer reaches the store the item is no longer there/Bait and switch. -Advertising a product showing additional items, but do not clearly state that these items are excluded.
Pricing of goods in rural areas	-Inflating prices -Charging higher for goods of inferior quality in rural areas.
Taxation/Tax evasion	-Businesses that do not declare all their income to SARS. -Falsifying the business financial statements.

Explanation of unethical/unprofessional business practices

Sexual harassment

- Manager promises an increase in salary/ a promotion/Quid pro quo harassment in exchange for sexual favours.
- A violation of basic human rights that normally happen when someone in power abuses his/her power/position, e.g. gesture/remark/action/suggestive behaviour which victimises the worker.
- The affected party is normally reluctant to report the incident due to fear of victimisation.
- Sexual harassment causes discomfort/humiliation and interferes with the job.

Unauthorised use of workplace funds and resources

- This form of fraud is the misuse of money without prior authorisation from a senior manager.
- Fraud increases the cost of doing business/affects competition/discourages investors when prices are increased to absorb the losses.
- Use of company assets for private use/personal gain.

Abuse of work time

- Employees abuse work time by arriving late/leaving early and taking longer lunch breaks.
- Employees use working hours for personal gain.
- Abuse of work time decreases productivity and loss of profits.
- Businesses can lose customers and not meet work deadlines.

Unfair advertising

- The use of false or misleading statements in advertising leading to misrepresentation of the concerned product, which may negatively affect consumers.
- Advertising influences a buyer's decision to purchase a product.
- Businesses can make unwise advertising choices when they are under pressure to increase their profits.
- Unfair advertisements could be harmful to consumers.
- Some advertisements may be regarded as discriminatory because they exclude/target some sections of the population.

Pricing of goods in rural areas

- Some businesses in the rural areas exploit their customers by adding much more than necessary to their prices.
- Some consumers in rural areas have little economic power and are vulnerable to exploitation.
- Business may form monopolies in rural areas and increase their prices unilaterally.
- It may be common practice to pay higher prices for goods of inferior quality in rural areas.
- Business may form monopolies in rural areas and increase their prices unilaterally.

Taxation/Tax evasion

- Corporate tax and personal income tax are the main source of income for the government.
- The payment of tax reduces a business's profit margin forcing some businesses to evade tax.
- Many businesses and individuals do not declare all their income to SARS.
- Some businesses may falsify their financial records.
- Businesses who evade tax may face prosecution and fines/sent to prison if found guilty.

Strategies/Recommendations/Ways to deal with unethical/unprofessional business practices**Sexual harassment**

- Implement internal complaints and disciplinary procedures.
- Educate employers on sexual harassment matters.
- Formulate a policy regarding sexual harassment.
- Create a good working environment where all employees' rights and dignity are respected.
- Internal investigation should be made in order to determine the seriousness of the harassment.
- Serious cases/matters on sexual harassment should be reported to the appropriate institutions such as the South African Police Services (SAPS).
- Ensure compliance with the law/business code of conduct.

Unauthorised use of workplace funds and resources

- Conduct regular audits.
- Identify risk areas/ vulnerable areas
- Limit the number of employees having access to business funds/assets.
- Implement/Introduce fraud prevention strategies.
- Educate employees about the impact of fraud.
- Fraud prevention should be a collective responsibility of business and workers.
- Clear policies should be in place so that employees are aware of what is considered to be fraud.
- Set up systems in the organisation for the reporting of fraud and corruption.

Abuse of work time

- Speak directly to those employees who abuse work time.
- Code of conduct/ethics should contain clear rules about abuse of work time.
- Conduct training on the contents of the code of conduct/ethics.
- Code of conduct/ethics should be signed by all employees so that they are aware of its contents.
- Monitor employees to ensure that tasks are completed.
- Structure working hours in such a way that employees have free/flexible time for personal matters.
- Create a culture of responsibility/strengthen team spirit in order for all employees to feel responsible for what has to be achieved

Unfair advertising

- Consumers must report unfair advertisements to the Advertising Standards Authority.
- Business should be encouraged to keep their advertising fair and in line with the constitution.

Pricing of goods in rural areas

- A business may lobby with other businesses in the area to convince government to improve infrastructure in the rural area.
- Charge fair/market related prices for goods and services.
- Avoid unethical business practices to attract customer loyalty.
- Investigate cost-effective ways of transporting products/Hire a large truck to combine deliveries to shop-owners in the same area.
- Work together with suppliers to share delivery costs to remote rural areas.

Taxation/Tax evasion

- Submit all tax returns on time.
- Businesses should pay the correct amount of tax to SARS.
- Keep financial records honestly and accurately.
- Make sure that all financial records are checked and audited.