SRRG: SOCIAL RESPONSIBILITY AND GOVERNANCE IN PHILIPPINE PERSPECTIVE (REVISED EDITION)

Comprehensive and simplified analysis and summarization of lessons for better learning and discussion activity.
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INTRODUCTION

Business is a part of society. It works together with every human being and act like a distinct entity. It is complex and dynamic interaction among the people and the institutions. Its activities must be observed and viewed to see their points as a major factor in our society. That is why business must be observed by their ethics because these 2 cannot be separated from each other. A business without good ethics can destroy the interactions and relationships of people to institution and vice versa. Studying Business Ethics can give us better understanding the concepts of right and wrong actions and how they practice this conducts to the business and its effect to other people or institutions.

BUSINESS: ITS HISTORY AND NATURE

Business may be defined in many ways. Business may be the undertaking of a person or a group of person investing money, property, or skills with a primary goal of gaining profit and rendering service to our society. It may be also as an important activity in our society. Without business, there is no transaction nor trading today. Business creates a good interaction between men to institution and institution to men. The business is always referred or connected with anything that is something to do with the economy because of the cycle of money.
through the industries and enterprises to consumers to government continuously going back again.

According to Fr. Floriano C. Roa’s, *Business Ethics and Social Responsibility*, “Business is as old as human civilization. In the beginning of human existence, men took care of their own needs and wants.” “The primitive people were resourceful. They invented ways and means of food gathering and hunting,” according to Feliciano R. Fajardo’s Economics. Before, products are limited to one place. Because of this, the Sumer, the first city-state in the fertile crescent, firstly used the the activity of trading goods like crops to another places in return to another goods known as the barter. And as years went by, civilizations learn to use coins as commodity money for buying goods for an exchange coins with certain value or amount.

Business is dynamic – there is constant changes depending to the unlimited needs and wants of the society and its development. It’s an activity that is depended by everyone in order to sustain the quality of life as a human being. Business is classified according to its activities: *Service Business* is a business wherein you render service for a certain fee; *Merchandising or Trading or Commerce Business* is the act of buying and selling goods for the consumer and; *Production or Manufacturing Business* wherein you process or convert raw materials into finish goods or products.

And always in business there are certain good practices and questionable or wrong practices or activities. However, it depends to the objective or motive of one’s entrepreneur: you respect the common interest through being loyal to your interest of serving right and fair while you disrespect the interest of all for your own personal interest and selfishness.

**BUSINESS ETHICS DEFINED**

1. BUSINESS ETHICS is the study of what is the right and wrong human behavior and conduct in business.
2. BUSINESS ETHICS is a study of perceptions of people about morality, moral norms, moral rules, and ethical principles as they apply to peoples and institutions in business.
3. BUSINESS ETHICS is the study, evaluation, analysis and questioning of ethical standards, policies, moral norms, and ethical theories that managers and decision makers use in resolving moral issues and ethical dilemmas affecting business.

(Source: Roa. BUSINESS ETHICS AND SOCIAL RESPONSIBILITY. Quezon City: Rex Bookstore, Inc.)

**BUSINESS IS ALWAYS UNITED WITH ETHICS**
As we discussed earlier with the introduction, studying business ethics can give us better understanding the concepts of right and wrong actions and how they practice this conducts to the business and its effect to other people or institutions. And we know the business is a dynamic activity. Because of constant changes, there’s always going to the right path or wrong path as the human conduct dictates it. Ethics is the principle of understanding good to bad.

Through ethics in business, we enable to analyze one’s activity if we are following the right way in business. We are reflected through the proper guidelines of the business ethics in proper examination and confrontation several ethical issues and problems affecting the business activities or transactions. Through business ethics we can resolve this issues and prevent the possible repetition of the said ethical issue or problem.

10 MYTHS ABOUT BUSINESS ETHICS

Business ethics in the workplace is about prioritizing moral values for the workplace and ensuring behaviors are aligned with those values -- it’s values management. Yet, myths abound about business ethics. Some of these myths arise from general confusion about the notion of ethics. Other myths arise from narrow or simplistic views of ethical dilemmas (McNamara, 2008).

1. Myth: Business ethics is more a matter of religion than management.

Diane Kirrane, in "Managing Values: A Systematic Approach to Business Ethics,"(Training and Development Journal, November 1990), asserts that "altering people's values or souls isn't the aim of an organizational ethics program -- managing values and conflict among them is ..."

2. Myth: Our employees are ethical so we don't need attention to business ethics.

Most of the ethical dilemmas faced by managers in the workplace are highly complex. Wallace explains that one knows when they have a significant ethical conflict when there is presence of a) significant value conflicts among differing interests, b) real alternatives that are equality justifiable, and c) significant consequences on "stakeholders" in the situation. Kirrane mentions that when the topic of business ethics comes up, people are quick to speak of the Golden Rule, honesty and courtesy. But when presented with complex ethical dilemmas, most people realize there's a wide "gray area" when trying to apply ethical principles.

3. Myth: Business ethics is a discipline best led by philosophers, academics and theologians.
Lack of involvement of leaders and managers in business ethics literature and discussions has led many to believe that business ethics is a fad or movement, having little to do with the day-to-day realities of running an organization. They believe business ethics is primarily a complex philosophical debate or a religion. However, business ethics is a management discipline with a programmatic approach that includes several practical tools. Ethics management programs have practical applications in other areas of management areas, as well.

4. Myth: Business ethics is superfluous -- it only asserts the obvious: "do good!"

Many people react that codes of ethics, or lists of ethical values to which the organization aspires, are rather superfluous because they represent values to which everyone should naturally aspire. However, the value of a code of ethics to an organization is its priority and focus regarding certain ethical values in that workplace. For example, it’s obvious that all people should be honest. However, if an organization is struggling around continuing occasions of deceit in the workplace, a priority on honesty is very timely -- and honesty should be listed in that organization’s code of ethics. Note that a code of ethics is an organic instrument that changes with the needs of society and the organization.

5. Myth: Business ethics is a matter of the good guys preaching to the bad guys.

Some writers do seem to claim a moral high ground while lamenting the poor condition of business and its leaders. However, those people well versed in managing organizations realize that good people can take bad actions, particularly when stressed or confused. (Stress or confusion are not excuses for unethical actions -- they are reasons.) Managing ethics in the workplace includes all of us working together to help each other remain ethical and to work through confusing and stressful ethical dilemmas.


Many believe business ethics is a recent phenomenon because of increased attention to the topic in popular and management literature. However, business ethics was written about even 2,000 years ago -- at least since Cicero wrote about the topic in his On Duties. Business ethics has gotten more attention recently because of the social responsibility movement that started in the 1960s.

7. Myth: Ethics can't be managed.

Actually, ethics is always "managed" -- but, too often, indirectly. For example, the behavior of the organization's founder or current leader is a strong moral influence, or
directive if you will, on behavior or employees in the workplace. Strategic priorities (profit maximization, expanding market share, cutting costs, etc.) can be very strong influences on morality. Laws, regulations and rules directly influence behaviors to be more ethical, usually in a manner that improves the general good and/or minimizes harm to the community. Some are still skeptical about business ethics, believing you can't manage values in an organization. Donaldson and Davis (Management Decision, V28, N6) note that management, after all, is a value system. Skeptics might consider the tremendous influence of several "codes of ethics," such as the "10 Commandments" in Christian religions or the U.S. Constitution. Codes can be very powerful in smaller "organizations" as well.

8. Myth: Business ethics and social responsibility are the same thing.

The social responsibility movement is one aspect of the overall discipline of business ethics. Madsen and Shafritz refine the definition of business ethics to be: 1) an application of ethics to the corporate community, 2) a way to determine responsibility in business dealings, 3) the identification of important business and social issues, and 4) a critique of business. Items 3 and 4 are often matters of social responsibility. (There has been a great deal of public discussion and writing about items 3 and 4. However, there needs to be more written about items 1 and 2, about how business ethics can be managed.) Writings about social responsibility often do not address practical matters of managing ethics in the workplace, e.g., developing codes, updating policies and procedures, approaches to resolving ethical dilemmas, etc.

9. Myth: Our organization is not in trouble with the law, so we're ethical.

One can often be unethical, yet operate within the limits of the law, e.g., withhold information from superiors, fudge on budgets, constantly complain about others, etc. However, breaking the law often starts with unethical behavior that has gone unnoticed. The "boil the frog" phenomena is a useful parable here: If you put a frog in hot water, it immediately jumps out. If you put a frog in cool water and slowly heat up the water, you can eventually boil the frog. The frog doesn't seem to notice the adverse change in its environment.

10. Myth: Managing ethics in the workplace has little practical relevance.

Managing ethics in the workplace involves identifying and prioritizing values to guide behaviors in the organization, and establishing associated policies and procedures to ensure those behaviors are conducted. One might call this "values management." Values management is also highly important in other management practices, e.g., managing diversity, Total Quality Management and strategic planning.

Moral Responsibility Defined
The author William H. Shaw, in his book *Business Ethics* (1999, pp. 163-165), came up with three meanings of moral responsibility:

1. Moral Responsibility refers to holding people morally accountable for the past actions or actions. This simply means assigning to people blame or praise for particular actions that they have performed.
2. Moral Responsibility also means care, welfare, or treatment of others as derived from the specific social role that one plays in the society.
3. Moral Responsibility likewise refers to one’s capacity for making moral or rational decisions of his own. According to Shaw, if a person is not normally responsible in this third sense, he or she cannot be considered morally responsible in either of the other senses.

(Source: Roa, Floriano C. BUSINESS ETHICS AND SOCIAL RESPONSIBILITY. Quezon City: Rex Bookstore, Inc.)

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INTRODUCTION

Understanding the foundation of the business ethics is very important to every decision makers and members of the corporate organization. Easy resolution can be created and cautiousness for possible repetitions of ethical issues can be observed and examined. In this chapter, we aim that you would understand and learn the principles of business ethics as a part of our social responsibility and to embody the good corporate governance.

ETHICS DEFINED

ETHICS is derived from the Greek word “ethikos” which means “having to do with character. The Latin word for ethos is “mos” (or “mores’). That is why we known Ethics as the Moral Science or Moral Philosophy. It refers to the theory of morality of right conduct.

COMMON CHARACTERISTICS THAT CONSTITUTE AN ETHICAL PERSON
Wisdom. The ability to discern right from wrong. Let us take the situation of King Solomon, known in the Holy Bible as the wisest king of Israel. He decided to ask wisdom like his father King David than any wealth in order to govern the kingdom with loyalty. According to Proverbs 4:6-7, “Do not forsake wisdom, and she will protect you; love her, and she will watch over you. Wisdom is supreme; therefore get wisdom. Though it cost all you have, get understanding.”

Courage. It is defined as the ability to withstand and defend one’s decisions. It is to accept things we (I) we cannot change. (“That is why / the reason I created you.” – Lord)

Temperance. It is defined as the ability to control oneself and keeping proper decorum even in the hardest situation.

Justice. It is known as the act of fairness; being impartial or having no bias. Again let’s take the situation of King Solomon in 1 Kings 3:16-28. King Solomon wisely judge the problem of the 2 mothers about the child, he used the decision of dividing the baby into two to identify the real number. By this he known that the second mother is the real mother.” Through the wisdom, he became just in deciding for the sake of common interest of the Israelites.

Conscience. It refers to the practical judgment of reason upon act as good.

**TYPES OF CONSCIENCE**

1. Antecedent Conscience is a judgment before an action is done.
2. Consequent Conscience is a judgment after an action is done.
3. True Conscience is a conscience which judges thing truly as they are.
4. Erroneous Conscience is known as the false conscience.
5. Certain Conscience is a subjective certainty of the legality of particular actions.
6. Doubtful Conscience happens when a person is not certain about a judgment.
7. Scrupulous Conscience is one which sees wrong where there is none.
8. Lax Conscience is one where it fails to see wrong where there is wrong.

FACTOR INFLUENCING BUSINESS ETHICS

Leadership. Leaders is a person who leads the people towards achieving a common goal. Leader can be good or bad, great or small they arise out of needs and opportunities of a particular time and place. Leaders should be the role models and mentors to its subordinates to attain progress and not became examples of disgrace and mentors of regress in work.
- **Performance and Working Environment.** Good performance creates motivation to the subordinates to work harder. The working environment must possesses the energy of being productive in order for all to flow properly. If the working environment possesses a weak or feeble performance, the workers started to be lazy and not concentrated to the work resulting of being not productive.

- **Deontology.** The philosophy that says people should meet their obligations and duties when analyzing an ethical dilemma. This means that a person will follow his/her obligations because upholding one’s duty is what is considered ethically correct.

- **Legal Rights.** It includes freedom of religion, speech and assembly, protection from improper arrest, searches and seizures, proper access to counsel, confrontation of witnesses, cross-examination in criminal prosecutions, right to privacy in many matters and rights applied without regard to race, color, creed, gender, or ability.

**CHARACTERISTICS OF ETHICAL ORGANIZATION**

- Ethical Organization are based on the principles of fairness.
- All stakeholders are treated equally without any discrimination.
- Benefit of stakeholder in given precedence over own interest.
- There is a clear communication in an ethical organization.
- What is to be done, how it is to be done is clearly stated.
- No bureaucracy.
- Minimum bureaucracy and high control helps in implementing business ethics.
- Compliance with applicable laws.

**BENEFITS OF BUSINESS ETHICS**

- **Goodwill of the People.** People like to build long term relationships with organizations that performs their tasks on the principle of ethics. Moreover, strong public image leads to continual loyalty and attracts new investors.

- **Prevention from Legal Actions.** By implementing ethical practices, organizations are automatically prevented from illegal and objectionable activities as business ethics instruct to avoid all that is wrong and evil. Such organization have no fear of legal action and social boycott.

- **Business Ethics have Substantially Improved the Society.** Establishment of anti-trust laws, unions and other regulatory bodies has contributed to the development of the society.
Ethical Practices Create Strong Public Image. Organization with strong ethical practices will possess a strong image among the public. This image would lead to strong loyalty.

Ethical Practices Support Employees’ Growth. Ethics in the workplace help employee face reality, both good and bad – in the organization.

Strong Teamwork and High Productivity. Constant change and dialogue will ensure the employee matches to the value of the organization.

Build Trust with the Key Shareholders. Implementation of ethics helps organization to gain trust of their shareholders.

High Profit. Reputation of the company and its share prices also increase if the company act upon Corporate Social Responsibility (CSR).

FOUR VIEWS OF ETHICS

1. Utilitarian View. ethical decisions are made solely on the basis of their outcomes or consequences. Greatest good is provided for the greatest number. And encourages efficiency and productivity and is consistent with the goal of profit maximization.

2. Moral Right View. they are more in the respecting and protecting the fundamental rights of the people. Moral decisions are those that best maintain the rights of those people affected by them. An ethical decision is one that avoids interfering with the fundamental rights of other.

THE SIX MORAL RIGHTS OF AN INDIVIDUALS:

- The right of free consent
- The right of privacy
- The right of freedom of conscience
- The right of free speech
- The right of due process
- The right of life and safety

3. Justice View: there is always fair and impartial treatments of people according to the legal rules and standards. The decisions to be created are based to the standard of Equality, Fairness and Impartiality.

THREE TYPES OF JUSTICE APPROACHES:
Distributive Justice: the treatment of people should not be based on arbitrary characteristics. In case of substantive differences, people should not be treated differently in proportion to the differences among them.

Procedural Justice: the rules must be or should be clearly stated; equal and just for everyone. All the rules approved should be consistently and impartially enforced for the betterment of the workplace.

Compensatory Justice: the individuals should be compensated for the cost of their injuries by the party responsible. Individuals should not be held responsible for matters they have no control.

4. Individualism View. The acts when they promote the individual’s long term interests, which ultimately leads to the greater goods. Individual self-direction paramount; individuals is believed to lead to honesty and moral integrity since the Accounts Receiver. Is the primary documents is to one’s long term is like one’s long term self-receipt.

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INTRODUCTION

Business can be efficient with the proper handling or management of its owner or manager. But sometimes, there are conflicts that happen inside the business that can affect the society. The managers sometimes get a hard time in this conflicts. That is why many businesses today created Code of Ethics so all employees working will work in accordance to the principles of business – developing the lives of people and walking in the path of responsible service. It can control the behavior of the employees and make the flow of the business and how it can affect positively to the society.

CODE OF ETHICS DEFINED

Also known as ETHICAL CODE, Code of Ethics are principles adopted by an organization to assist those in the organization called upon to make a
decision. Usually most understand the difference between “right” and “wrong” and to apply this understanding to their decision. A written set of guidelines issued by an organization to its workers and management to help them conduct their actions in accordance with its primary values and ethical standards.

- **CODE OF CONDUCT**: it is a document designed to influence the behavior of employees. They set out the procedures to be used in specific ethical situations and delineate whether a violation of the code of ethics occurred and, if so, remedies should be imposed.

- **CODE OF PRACTICE**: it is adopted by a profession or by a governmental or non-governmental organization to regulate that profession. It may be styled as a code of professional responsibility, which will discuss difficult issues, difficult decisions that will often need to be made, and provide a clear account of what behavior is considered “ethical” or “correct” or “right” in the circumstances.

**USERS OF THE CODE OF ETHICS**

Code of ethics is broad. It can be used by any persons not only the professionals like accountants and doctors. It depends to the institution you are working with. These are 2 examples of users of code of ethics:

**FOR SCHOOL:**
- Administrators
- Teachers
- Students
- Employees

**FOR BUSINESS:**
- Employees
- Customers
- Suppliers
- Owners and Other Providers of Capital
- Government
- Society in General

**ETHICAL CODE FOR STUDENTS**

- **Integrity of Students**: it is the most basic prerequisite to earning and retaining trust. Very high standards of integrity should be upheld. There is no compromise of principles for any reason. Character is as important as competence in profession.
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