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Introduction
This article looks at business goals, stakeholders and the role of business in society, with a focus on social goals. Two business case studies – Kulbardi and Lush – provide examples of very different business entities that, whilst differing in areas such as business size and the nature of products and services they provide, both have something in common – wanting to make a difference.

Ready to read
To effectively read and understand this, or any other article, it’s a good idea to get ‘ready to read’: Skim through the article to get an overall impression of what it’s about; scan the article again to find and highlight important and relevant terms and concepts, and create a vocabulary list of terms and meanings using a Business dictionary or glossary. Now, you’re ready to read!

The nature of business
Australian businesses play a number of roles. Every business exists to produce goods and/or services to sell to customers, usually in pursuit of making a profit. However, people start businesses for many different reasons and can have a number of goals in mind. A growing number of people are choosing to run businesses in pursuit of making a difference.

Business Goals
Business goals can be divided into financial and non-financial goals.

Financial goals are all about…you guessed it…money. The number one financial goal is to generate profit – every other financial goal ultimately leads to the quest for maximising profit over time. Other financial goals include expending the business; increasing market share; and increasing the share price (companies). Note that these other financial goals, whilst they might reduce profits in the short term, are designed to increase profits in the medium or long term.

Non-financial goals are related to social and/or environmental issues. They reflect the social roles a business wishes to play. Examples of social goals could include reducing child labour, employing people from disadvantaged backgrounds, supporting and promoting a particular culture or community, or promoting the practice of ‘fair trade’. Environmental goals might include waste reduction, environmentally friendly production techniques and reducing carbon emissions.

Stakeholders
Businesses have a range of stakeholders to whom they have responsibilities, and who therefore need to be considered when setting goals and making decisions. Stakeholders are individuals or groups who are affected by and have an interest in the ongoing success and activities of the business. Examples of stakeholders include the business owners/shareholders, employees and managers, customers, society and the environment. The government, suppliers and creditors to the business can also be considered stakeholders. Businesses need to balance the interests of their stakeholders when making decisions and setting financial and social goals. It is important to remember also that, whilst some decisions might reduce financial returns in the short-term, they may enhance business reputation leading to better long term profitability. It is interesting to note that in Australia, a growing number of shareholders these days are asking questions of CEOs and Directors regarding ethical behaviour, not just financial returns.

Examples of stakeholder responsibilities of business

• Owners/shareholders – maximise profits; ensure long term business success; maintain share value; act in accordance with shareholder ethical expectations
• Employees and managers – fair pay and safe work practices; non-discrimination; provide a safe and healthy workplace free from harassment; provide necessary resources and training
• Customers – ensuring goods are fit for purpose; satisfying consumer needs; treating customers with respect; honouring promotions/special offers
• Society – acting according to societal expectations, cultural sensitivity to local and/or broader community, supporting social causes or issues, acting with corporate social responsibility
• Environment – reducing environmental footprint, minimising waste, not harming animals
• Government – complying with government policies and laws, paying taxes
• Suppliers and creditors – paying debts on time; open communication lines; behaving responsibly and ethically
According to the Responsible Investment Association of Australasia, more and more Australians are choosing ‘responsible’ investment portfolios, driven by consumer demand for investment in assets that are managed according to environmental, social, corporate governance and other ethical factors such as impact investing. Impact investing occurs when people invest in a company or organisation to make a positive social or environmental impact that is measurable and specific, e.g. to create jobs for long-term unemployed people. In Australia, total Responsible Investment quadrupled between 2013 and 2016 and was valued at $622b in 2016, up from $569b in 2015.

Student activities

1. Distinguish between financial and non-financial business goals, using examples.
2. Outline how changes in public opinion can affect business goals and decisions, using examples.
3. Create a Mind Map or Word Cloud of business stakeholders.
4. Identify 4 possible conflict of interests between different business stakeholders.

Vocabulary/Concepts

Define each of the following terms in their correct business context:
Market share, share price, stakeholders, impact investing.

Roles of business

Businesses play a number of roles in the economy and society. The number one goal of most businesses is to create profit – to maximise the difference between sales revenue and costs. Profit can then be used to provide income to owners, and can also be reinvested into the business to ensure continued success and profitability into the future.

Businesses provide employment, creating jobs for people in the daily operations of the business – actually producing the good or providing the service (e.g. factory work, building engineering, shop assistant), as well as jobs in areas such as finance (e.g. budgeting and accounting), marketing (e.g. market research, advertising) and human resources (e.g. recruitment, training). Employment generates a number of benefits to people, providing them with income and the means to provide goods and services for themselves and their families; worthwhile activities which engage people; the opportunity to learn and develop skills through training; the potential for advancement through promotion and career development; as well as income security which enables people to feel optimistic about their future and to be able to borrow or save for future purposes such as buying a home or retirement. All these benefits of employment accrue not just to individuals but to communities as well, creating vibrant places where people are meaningfully engaged, earning income and spending money which benefits other businesses, households and individuals.

Businesses provide income in a range of ways – income to owners in the form of profits such as dividends to shareholders of companies; income to employees in the form of wages and salaries as well as superannuation payments; and incomes to other businesses when they buy goods and services from them, e.g. a bakery earns income from sales revenue by selling their bread and cakes to cafes.

Businesses in Australia also provide choice to consumers – the option to purchase a wide variety of goods and services from competing businesses – think of the range of different types of restaurants, or the many hairdressers, retail stores and mobile phone companies you can choose from.

Business is responsible for a large proportion of innovation in Australia, developing new products and production techniques that lead to lower prices, an increased range of goods and services, and enhanced customer satisfaction, and can also contribute to community development and environmental enhancement.

The business sector in Australia provides a platform for entrepreneurs to take risks in establishing new businesses or expanding existing ones. This creates a more dynamic economy which encourages the development of new ideas in the types of products and services that can be produced, promoting innovation and creating more job opportunities as well as generating more profits and incomes.

Businesses also create wealth – increased share value directly adds to the wealth of shareholders; and business owners, investors and wage & salary earners all have the opportunity to use part of their income to build up ownership of assets. Further, when businesses pay tax to the government this provides a means for government to accumulate wealth for the entire nation by investing in
public assets such as schools, hospitals and universities. Ultimately, if businesses can do all of these things – generate profits, employment, income, choice, innovation and wealth, then they make a positive contribution to improving people’s quality of life – giving people access to interesting jobs, a wide range of goods and services, the opportunity to accumulate wealth and to live in vibrant communities.

Making a difference - Business case studies

Kulbardi

Kulbardi is a 51% Indigenous owned business, part of a joint venture with Quick Corporate Australia (QCA), that provides office and stationery supplies to businesses across Australia. These office supplies include items such as photocopying paper, ink and toner cartridges, printers, desks and workstations, diaries and organisers. The CEO of Kulbardi is Mr Kim Collard, an Aboriginal business leader.

Kulbardi’s vision is “To become the most successful Indigenous Stationary and Workplace Supplies Company, as the supplier of choice across our nation.” They plan to achieve this vision through focussing on providing a comprehensive range of stock, competitive pricing and excellent customer service. Further to this, Kulbardi aims to make a difference in the area of social and economic Indigenous community development.

Student activities

6. Explain why profit is the major goal of most businesses.

7. This article identifies a number of benefits that employment creates for individuals and communities. Discuss these benefits with class members; create a Mind Map or Word Cloud of the benefits, adding any others that you can think of. You might also interview a family member or friend who has a job, asking them to identify the benefits it brings them and add these too.

8. View the YouTube video of Steve Jobs introducing the first iPhone in 2007. Outline the role of Apple in terms of innovation. You can do a web search or find it at: https://www.youtube.com/watch?v=x7qPAY9JqE4

Vocabulary/ Concepts

Define each of the following terms in their correct business context:
profit, income, innovation, entrepreneurship, wealth, quality of life.
business’ profits into creating employment and training opportunities for disadvantaged members of Indigenous communities. The Fund has financed and supported projects such as the Kulbardi Youth Entrepreneurship Camp 2017, the Year 10 after school homework program at Clontarf Aboriginal College, the Girls Leadership and Aspirations Program and the Kulbardi Entrepreneurs Program (KEP).

Kulbardi Entrepreneurs Program

The Kulbardi Entrepreneurs Program (KEP) is a 10 day training program to develop entrepreneurial skills and provide practical start up information, advice and opportunities for Aboriginal people to turn their creative ideas into business reality. It was launched in 2017 in Perth, WA.

In the words of KEP’s CEO Kim Collard, the program is for “people who want to run their own business, but just don’t know where to start.”

Figure 3: Image from Kulbardi Website

It’s about harnessing people’s entrepreneurial abilities and teaching them how to use their skills to take risks and start up their own community business ventures, with the ultimate goals of creating sustainable employment and income generation for themselves and their communities. The 10 day program supports participants to develop their business idea, create a business plan and pitch it to a group of business executives, with the potential to win start-up funding. In 2017 the KEP was sponsored by corporate customers including Rio Tinto, Toyota, Morris Corporation and Western Power.

Student activities

8. Identify Kulbardi’s vision and outline how they plan to achieve it.

9. Name 2 types of financial goals implied by Kulbardi’s vision AND identify why it is important for Kulbardi to achieve its financial goals in relation to its social goals.

10. Explain how Kulbardi’s social roles can have positive impacts in the community, with specific reference to at least 3 roles.

11. How might Kulbardi’s connections with corporations such as Rio Tinto and Toyota help people in Indigenous communities?

12. What impacts do you think the Australian Government’s Indigenous Procurement Policy is designed to have upon Indigenous businesses such as Kulbardi?

13. Visit the Reconciliation Australia website at https://www.reconciliation.org.au/reconciliation-action-plans/ to answer the following questions: What is a Reconciliation Action Plan (RAP)? Use the ‘Who has a RAP?’ section to find and view the RAP of one Australian business such as Qantas or Westpac. Identify three ways this business is trying to ‘make a difference’ through their RAP.

Vocabulary/ Concepts

Define each of the following terms in their correct business context:

joint venture, competitive pricing, procurement, supply chain diversity.

Lush

Lush is a global business originating in the UK, which expanded into Australia in the 1990s. Lush is a retailer of fresh, hand-made cosmetics. Lush products include soaps, bath bombs, moisturisers, perfumes, shampoos, deodorants, makeup, cleansers…the list goes on. Their products are made from natural ingredients and they use as little packaging as possible. Oh …… and they smell amazing! Lush have an emphasis on social goals alongside their financial goals of profitability and expansion.

The Indigenous Procurement Policy

The Australian Government’s Indigenous Procurement Policy was introduced in 2015, setting a target for every Government department to reach whereby 3% of all supplies procured must be purchased from a Certified Indigenous Enterprise – meaning a business with at least 51% Indigenous ownership. Kulbardi is one such business.
Lush take a strong stance against animal testing, use 100% vegetarian products, and enact ethical buying practices, selling fresh, handmade products and using ‘naked’ packaging wherever possible. In order to achieve their social goals regarding their role in society, Lush implement a number of policies, which include the following:

**Lush Ethical buying policy**

When they purchase supplies Lush take into consideration
- workers’ rights including fair pay, working hours, discrimination and fair trade
- the environment including sustainability of resource use, endangered species and pollution emissions
- animal protection regarding their no animal testing and vegetarian products stance
- transport involving distances that ingredients travel to minimise environmental footprint

**Lush Company tax policy**

Lush’s tax policy states the business’s commitment to paying tax according to the laws and regulations of the countries in which they operate, not overpaying tax but not using complicated loopholes to avoid paying the appropriate amount of tax. Lush believe in the importance of government taxation in providing education, health and welfare. They also reserve the right to speak out regarding government spending and policies in the countries within which they operate, to promote kinder and fairer societies. For example, Lush campaigned for the Yes vote in the Australian marriage equality postal vote and featured same-sex couples in their 2017 Valentines Day advertising.

**Lush People policy**

Lush have a stated commitment to the fair treatment of employees. They are committed to fair work practices, aiming to pay above the minimum wage; employees are paid according to their role and hours and not their age; retail staff are trained, provided with Lush products at training and given access to new products free of charge; women are not discriminated against and are employed in all areas of the business including warehousing, retail and as Board members. An example of Lush’s implementation of this policy in Australia is their position on the Fair Work Commission’s decision in 2017 to allow employers to cut Sunday and public holiday penalty rates – Lush advised their employees that they will not cut their penalty rates.

**Lush Animal testing policy**

The company’s policy on animal testing begins with these words: “We do not buy raw materials from any company that test anything on any animals for any purpose.” This policy includes not just the raw materials purchased by Lush, but all materials produced by the supplier; and the company also views the structure of their suppliers to ensure that they do not have any financial links with companies that are associated with testing on animals. To implement this policy Lush conducts yearly reviews of all its suppliers, and switches suppliers if necessary to source materials from companies that do meet their requirements. Lush use simple natural products, trial their products on people and work with companies that are using technology to conduct tests on human cells in order to test and ensure the safety of their products for people to use.
Businesses making a difference

Kulbardi and Lush are examples of businesses who have a major focus on ‘making a difference’ – on setting out to establish and achieve goals that have a social purpose. Whilst they need to satisfy a range of stakeholders and achieve financial as well as social goals, these businesses set themselves apart by their particular focus. They are evidence that a business does not just have to pursue profit at the expense of other goals, and that in following their own community aspirations, ethics and values, businesses can differentiate themselves and even create a competitive advantage by making a difference.

References and further reading


Student activities

14. Identify internal and external influences affecting the decisions of both Kulbardi and Lush.

15. Explain how Lush’s ethical buying policy, tax policy and people policy can enable the business to meet its social goals.

16. How do you think the above Lush policies affect their costs of production? Give examples to support your answer.

17. How do you think Lush reconciles the conflicting interests of shareholders who want to maximise profits with their social commitments to other stakeholders? Discuss your ideas with class members.

18. Working in small groups, brainstorm a business idea that would achieve both financial and non-financial goals important to you.

Vocabulary/ Concepts

Define each of the following terms in their correct business context:

penalty rates, aspirations, ethics, values, differentiate, competitive advantage, environmental footprint.
Who’s Responsible?

Business is naturally geared toward maximising profit and revenues, and historically, these have been at the core of business planning. Over time, the intangible assets of a firm such as branding, customer loyalty and staff selection and retention have become increasingly valuable. These intangible assets can be irrevocably damaged by unethical or irresponsible business practices, with significant consequences for the business over both the short and long term. The power of ethical business practices has been shown through a range of surveys, including a recent survey by Nielsen, which found that 55% of consumers are willing to pay more for ethical products, particularly the Millennial age group.

Business Ethics or Corporate Social Responsibility

Business ethics and corporate social responsibility are closely linked concepts. Business ethics is a broad term that covers a range of expectations about how a firm conducts its operations. It relates to business being conducted in a way that society would consider to be right, moral and fair. A recent survey by the Governance Institute of Australia found that a majority of the Australians surveyed believe that the most unethical business practices are high executive pay, corruption, tax avoidance and misleading and deceptive conduct. For example, most think that an annual income for a CEO over $660,000 is unethical.

Corporate social responsibility is a subset of business ethics. It is sometimes called the “triple bottom line” and relates to measuring not only the financial impacts but also the social and environmental consequences of business activities. Society increasingly expects companies to not only avoid harming society and the environment, but also positively impact on the community. The 2017 Edelman Trust Barometer survey found that 77% of Australians believe that a company can take actions that increase profits, but also improve social and economic conditions in the community.

Stakeholder Influence

A range of key stakeholders influence business activities, including management, employees, investors, consumers and the government. Each stakeholder has different motivations for intervening, and each has limitations on the extent to which they can influence business practice.

Management

As part of its 2016 Ethics Index survey, the Governance Institute of Australia found that a majority of Australians believe directors and executives are the main drivers of ethical conduct, as they can influence the corporate culture within a firm and guide business activities. In practice, management has always played a key role in guiding ethical practice, however the recent rise of the ‘activist CEO’ has brought a new dimension to the role that management can play.

Activist CEOs are those who publicly comment and act on social or environmental issues reflecting their values, in their role as leaders of a business, not just as private individuals. They present the business as an entity that holds those same values, which helps develop the brand and attract new customers as well as enhance customer loyalty. The CEO of Qantas, Alan Joyce, actively campaigned in support of same-sex marriage in his role. Joyce called on other companies to support the...
“Yes” campaign by arguing it was “good business” to do so. He pointed to a study by Deloitte Australia which showed that consumers, particularly young consumers, were influenced by a firm’s position on same-sex marriage.

There are also potential risks for businesses in presenting themselves as ethical leaders in an industry. Due to the associated high visibility, a firm can expect to be held accountable for its claims. If it fails to meet the standard expected of it, then there can be significant backlash. In extreme cases, businesses have been called out for “greenwashing”, a term used to describe businesses presenting themselves as being environmentally conscious, whilst still undertaking activities that are damaging to the environment.

Companies can overcome this risk by ensuring that any CSR strategies introduced are genuine, transparent and followed through, and increasingly businesses are calling for more transparency regarding CSR activities. An annual survey by the Australian Centre for Corporate Social Responsibility (ACCSR) found that, in 2017, 53% of Australian professionals across a range of industries supported mandatory sustainability reporting for all organisations of a certain size.

Students activities
1. Distinguish between business ethics and corporate social responsibility.
2. Outline what is meant by the “triple bottom line”.
3. Describe the role that CEOs play in promoting ethical business practices. Research examples from businesses that you know to support your answer.
4. Explain what is meant by “greenwashing”, using the Volkswagen case to support your response.
5. Explain why you think businesses might want mandatory sustainability reporting.

Vocabulary/ Concepts

Define each of the following terms in their correct business context:
Maximising profit, retention (of staff), intangible assets

Volkswagen Greenwashing

A notable example of “greenwashing” is the case of the Volkswagen car company which had presented itself for years as an industry leader in environmentally responsible practices. In 2015, VW was named the most sustainable automaker on the Dow Jones Sustainability Index, and yet within a few months was removed from the Index after revelations that it had been tampering with emissions monitoring software in its cars to show a lower output of emissions than was actually occurring. As the VW brand had become well recognised as an environmental leader, the news had more significant consequences than it may have had for others. Beyond the legal consequences, the company’s shares fell by a third, and many customers have stated that they feel betrayed and will never purchase a VW product again.

Consumers

Consumers are a primary driver of business activity as they directly impact the quantity, quality and range of products that companies produce, through their purchasing decisions. Some industries have seen a dramatic shift as a result of changing consumer demand. Sunny Queen is one of Australia’s largest producers of eggs. In response to increasing consumer demand, they have had to adjust their operations to adapt to increasing...
demand for free-range eggs. Where a decade ago, cage eggs accounted for 70% of all eggs sold in Australia, today, they only account for 40% of the market. Whilst many surveys have shown consumers would prefer to purchase products they know are ethically produced, there is often a gap between what is said and what is done. There are a range of potential reasons for this, including how much the consumer prioritises ethical production and therefore how much they are willing to pay. Price is a key factor, but there are additional issues as well. A study by the University of Technology in Sydney found that scepticism and confusion about ethical products was impacting on consumers’ decisions. Consumers need to be able to easily determine which businesses meet their standards, and the primary way this information is shared is through labelling of products. In particular, the use of well-known logos such as the Fairtrade certification or “RSPCA approved”, help consumers to make on-the-spot decisions. There are so many logos being used in Australia now that consumers are becoming confused about what each of the logos represents and therefore are finding it harder to make informed choices.

The Fairtrade logo is one of the most well-known ethical logos in Australia and is recognised by a majority of Australians. Cadbury chocolate has long been certified by Fairtrade and carried the logo on its chocolate products. However, from May 2018, Cadbury will release new packaging without the Fairtrade logo and instead carry a Cocoa Life symbol. The Cocoa Life project was created by Mondelez (who owns Cadbury) in partnership with Fairtrade to improve the conditions of cocoa farmers and communities. There is the risk however, that consumers may not immediately understand or recognise the Cocoa Life logo, making it harder for them to make informed purchasing decisions.

An additional issue is that logos may represent one facet of ethical practice, such as environmental sustainability, and yet other areas of the business might be ethically weak. This undermines the trust between consumers and business when uncovered. Oxfam produces an annual scorecard of multinational corporations, across a range of social and environmental standards. It shows that some companies have areas of strength that they promote, while other environmental or social issues remain unaddressed. In the 2016 report, Kellogg’s scores high marks regarding its climate policies, however has very poor standards regarding treatment of workers, an issue that consumers may not be aware of, or which may remain hidden, whilst the climate policy strengths are advertised.

<table>
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<th>Score</th>
<th>Land</th>
<th>Women</th>
<th>Farmers</th>
<th>Workers</th>
<th>Climate</th>
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<tr>
<td>Nestle</td>
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<td>Coca-Cola</td>
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<td>Kellogg’s</td>
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Fig 5. April 2016 results of Oxfam “Behind the Brands” Scorecard. Numbers for each issue represent a score out of 10 with a total score expressed as an overall percentage. Source: www.behindthebrands.org/company-scorecard/

**Employees**

Employees can have a significant impact on the ethical practices of businesses through making informed decisions about firms that they choose to work for, as well as through contributing to the corporate culture of the business. A recent study conducted by the Macquarie Graduate School of Management as part of a UN initiative, found that over 90% of business students surveyed were willing to sacrifice future salary to work for a business that is socially responsible. Given this clear message from the students, it is important for businesses to recognise that in order to attract business studies graduates, they should strengthen their CSR practices.

**Investors**

In selecting which company to invest in and through using voting power, investors are able to guide ethical business practice. Research by the Queensland University of Technology found, after looking at data of ASX200 listed companies between 2012 and 2017, that the companies paying higher tax had higher returns for shareholders in the form of dividends. This may reflect shareholders’ preference for investing in companies that are paying their fair share of tax.
Investors can also directly affect change in a firm, and encourage a shift toward socially or environmentally responsible conduct. **Activist investors** purchase a large proportion of a corporation’s shares and use the associated control to pressure businesses to change their practices. In January this year, two of the primary shareholders of Apple corporation used their significant Apple shareholding to write a letter to Apple’s board to pressure Apple to investigate the impact of iPhone use on children’s mental health. Apple responded to the letter indicating their intentions to improve child safety features on iPhones.

## Government

Governments play a significant role in not only promoting, but enforcing ethical practices. A primary example of this in Australia is the Competition and Consumer Act 2010 (Cth), which includes regulation of a range of unethical practices including misleading and deceptive conduct. Recently, to further promote ethical reporting practices, the Australian Securities Exchange (ASX) has introduced new reporting requirements. The recent ASX Recommendation 7.4, requires companies to detail any exposure they may have to economic, social and environmental risks, and how they plan to manage them. This promotes more accountability for ethical practices.

### Student activities

6. Summarise the main points on the role that consumers play in promoting ethical business practices. How effective do you think they are in this role?

7. Outline the reasons why consumers often say they are willing to pay more for products, but do not do so in reality.

8. Imagine you are the manager of Human Resources at a firm. What strategies would you use to recruit new graduate business studies students?

9. With reference to the Apple case, explain the role activist investors can play in changing business practices.

10. To what extent do you think investors are able influence business activities?

11. Looking at Figure 5, rank the survey results of the Behind the Brands scorecard of social issues from highest (biggest number) to lowest (lowest number) for Kellogs. Do the same for Coca Cola and Mars. Compare and discuss your findings with class members.

12. Imagine you are head of marketing for Cadbury during their transition from the Fairtrade logo to the Cocoa Life logo. What strategies would you use to educate customers about the new logo?

13. Government plays a significant role in regulating and enforcing ethical practices. What do you think are the strengths and weaknesses of relying on government to promote ethical practices?

### Vocabulary/ Concepts

Define each of the following terms in their correct business context:

- Operations, logo, dividends, accountability.

### Conclusion

As can be seen, a range of stakeholders in the broader community can impact on ethical business practice. There are also many other stakeholders who are also able to influence business activities, such as suppliers, non-government organisations and media among others. When combined, the actions of these stakeholders can produce a significant shift towards more ethical business practices over time.
Resource List

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5. Kollman, K and Favotto, A “How VW took the corporate ethics industry to the brink”, The Conversation, November 2, 2015


7. Preston, B “Volkswagen scandal tarnishes hard-won US reputation as green company” September 25, 2015, the Guardian


10. Courtney, P “Sunny Queen expands free-range operations as demand for cage eggs slumps” February 4 2018, ABC news


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