

Ethics and professionalism

Introduction

The challenges that exist within the business environments often morally test the ethical values and principles of organisations and business people. How to be professional, responsible and ethically effective in business practice should constantly be evaluated. Businesses can apply King Code principles for good corporate governance to improve ethical and professional business practices.



Overview

Ethics and professionalism	<ul style="list-style-type: none"> • Description/Definition of ethical behaviour and business practice. • Examples of ethical and unethical business practice, e.g. using fair vs. unfair advertising techniques, etc. • Examples of professional and unprofessional business practices, e.g. good use of work time and abuse of work time, etc. • Application of the following King Code principles: <ul style="list-style-type: none"> ○ <i>Transparency</i> ○ <i>Accountability</i> ○ <i>Responsibility</i> • Ways in which professional, responsible, ethical and effective business practice should be conducted. • Situations/issues that pose challenges in the business environments • Recommendations improvements for Situations/issues that pose challenges in the business environments 	<ul style="list-style-type: none"> • Define ethical behaviour and business practice. • Give practical examples of ethical and unethical business practice. • Give practical examples of professional and unprofessional business practices. • Explain how businesses can apply King Code principles of transparency, • Explain/ describe ways in which professional, responsible, ethical and effective business practice should be conducted, • Explain/describe on issues/ situations in terms of unethical/unprofessional behaviour • Recommend improvements for the above-mentioned unethical business behaviour/ practices.
-----------------------------------	--	---

3.1 Key concepts

Term	Definition
Business ethics	<ul style="list-style-type: none"> • Ideas about what is morally correct or not applied in a business situation. • Examples: Trustworthy, Competent, Respectful, Act with Integrity, Considerate, Empathetic
Ethical behaviour	<ul style="list-style-type: none"> • Acting in ways consistent with what society and individuals typically think are good values • Involves demonstrating respect for key moral principles that include honesty, fairness, equality, dignity, diversity and individual rights
Business practice	<ul style="list-style-type: none"> • A method, procedure, process, or rule employed or followed by a business in the pursuit of its objectives
Professionalism	<ul style="list-style-type: none"> • Professionalism' is the term used to describe the internationally accepted standards or expectations that society has of people's conduct and levels of competence in the workplace
Tax evasion	<ul style="list-style-type: none"> • When a business do not declare all their income to SARS with the aim of paying less tax. • It is illegal and unethical
Corporate governance	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Holding directors and officials responsible to stakeholders for their decisions and action. • Being able to explain, clarify and justify actions.
Transparency	<ul style="list-style-type: none"> • Directors and managers are expected to operate in a manner that is easy for stakeholders to see and understand what actions are performed. • Easy to understand, being open, frank and honest in all communications, transactions and operations.
Responsibility	<ul style="list-style-type: none"> • The legal and moral obligation of the business in relation to the economic, social and natural environment within which it operates. • Taking ownership of a duty, obligation or liability

3.1.1 Ethical/unethical behavior and professional/unprofessional behaviour



Activity1

Name FOUR examples of unfair advertising practices (4)

Answers

- False Labeling ✓
- Giving goods deceptive names. ✓
- Using false/deceptive advertising. ✓
- Selling second hand goods as new goods. ✓
- Criticising competitor's goods. ✓
- Using small print in the advertisement to mislead the consumer. ✓
- Exploitation of children's lack of understanding of product.
- Misuse of people with disabilities in advertisements. ✓



Activity2

2.1. Distinguish between professional behaviour and ethical behaviour. (8)

Professional behaviour	Ethical behaviour
- Refers to what is right/wrong/accept-able✓ in a business.✓	- Refers to the principles of right and wrong/acceptable✓ in society.✓
- Set of standards✓ of expected behaviour.✓	- Conforms to a set of values✓ that are morally acceptable.✓
- Applying a code of conduct✓ of a profession or business.✓	- Forms part of a code of conduct✓ to guide employees to act ethically.✓
- Focuses on developing a moral compass✓ for decision-making.✓	- Focuses on upholding the reputation✓ of a business/profession.✓
- Includes guidelines✓ on employees' appearance/communication/attitude/responsibility✓, etc.	- Involves following the principles of right or wrong✓ in business activities/practices/dealings.✓
- Any other relevant answer related to professional behaviour in a business.	- Any other relevant answer related to ethical behaviour in a business.
Sub max (4)	Sub max (4)

2.2. Describe what is meant by ethical behaviour.

(4)

Answers

Ethical behaviour

- Includes the acceptable/moral principles of right and wrong.
- It determines human behaviour.
- It has a positive influence on businesses and communities.
- It defines right/fair/good/honest actions.

3.1.2 Application of the King Code principles

Business can apply the following the King Code principles for corporate governance to improve ethical and professional business practices:

NOTE: Study the following THREE King Code principles ONLY

Responsibility	<ul style="list-style-type: none"> • 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.
Accountability	<ul style="list-style-type: none"> • There must be sound relationships between the business and all stakeholders • The business is answerable to stakeholders for their actions and the performance of the business • A board of directors must be appointed and accountability rest with the members thereof
Transparency	<ul style="list-style-type: none"> • Business must have audit committees and must conduct internal audits • There must be disclosure of accounting transactions and transparency • The findings of the audits must be made available to stakeholders and strategies must be put in place to deal with shortcomings



Activity3

- 3.1 Identify the King Code principle illustrated in EACH statement below.
- 3.1.1 The board of directors of Iswatini Lodge tabled its answers to stakeholders for their actions which led to decline of profit in 2017 financial year. (2)
- 3.1.2 The directors of Mathoks Holding Ltd made available the findings of the audits to stakeholders. (2)

Answers

- 3.1.1 Accountability ✓✓
(2)
- 3.1.2 Transparency ✓✓
(2)

- 3.1.3 Ways in which professional, responsible, ethical and effective business practice should be conducted.
- Businesses should treat all employees equally.
 - Plan properly and put preventative measures in place.
 - Pay fair wages/salaries which is in line with the minimum requirements of the BCEA/Remunerate employees for working overtime/during public holidays.
 - Engage in environmental awareness programmes/Refrain from polluting the environment, e.g. by legally disposing of toxic waste.
 - Refrain from starting a venture using other businesses' ideas that are protected by law.
 - Business decisions and actions must be clear/ transparent to all stakeholders.
 - Businesses should be accountable/responsible for their decisions and actions/ patents rights.

3.1.4 Situations in terms of unethical/unprofessional behaviour that pose challenges in the business environments:

<p style="text-align: center;">Sexual harassment</p>	<p>-Involves unwanted and unwelcome attention of a sexual nature from someone at work. -The attention causes discomfort, is humiliating and interferes with the job -It is wrong and unethical to abuse your position to take advantage of others</p>	<ul style="list-style-type: none"> • Every business should have a clear policy regarding sexual harassment • Employees must know their rights and the rights of fellow employees • Business must create an environment where all employees are treated with dignity and respect • 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 SA Police Services (SAPS).
<p style="text-align: center;">Unauthorised use of workplace funds and resources</p>	<p>-Using the business's money without permission is called unauthorised use of funds -It is a criminal offence -Using the organisations funds for own use is an illegal -Example buying air time from petty cash</p>	<ul style="list-style-type: none"> • Identify potential areas where unauthorised use of funds occur • Limit the number of employees who have access to funds • Implement a fraud prevention strategy • Complete internal audits on a regular basis
<p style="text-align: center;">Unfair advertising</p>	<p>-Refers to the use of false or misleading statements in advertising leading to misrepresentation of the concerned product, which may negatively affect consumers.</p>	<ul style="list-style-type: none"> • 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
<p style="text-align: center;">Pricing of goods in rural areas</p>	<p>-People in rural areas are often not able to compare prices of different retailers -They are forced to buy from one local store -They are at the mercy of greedy shopkeepers who inflate prices</p>	<ul style="list-style-type: none"> • Consumers should report cases of unfair pricing • New entrepreneurs should be encouraged so that there is competition. • Shopkeepers and service providers should keep profits at reasonable levels
<p style="text-align: center;">Taxation</p>	<p>-Corporate tax and personal income tax are the main source of income for the government -Many businesses and individuals do not declare all their income to SARS -This is called tax evasion and it is illegal and unethical</p>	<ul style="list-style-type: none"> • 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 • Submit all tax returns on time.

Abuse of work time	<p>-Refers to activities that is not focused on the job that you are meant to do during working hours Make personal calls during work hours. -Take extended lunch breaks -Use the printer and copier for personal use -Do personal business during work hours</p>	<ul style="list-style-type: none"> • Monitoring of employee achievements • Including an explanation of which actions constitute wasting time in the company code of conduct. • Creating a culture of responsibility towards the company • Pointing out the problem to those who appear to be wasting time. • Creating a feeling of teamwork so that all employees feel responsible for what has to be achieved
-------------------------------	---	---



Activity 4

- 4.1 Identify the unethical business practice illustrated in each scenario below.
- 4.1.1 The financial manager of Mocs Guest House does not record the cash receipts transactions in order to avoid paying VAT. (2)
- 4.1.2 Magrie, promised John, her fashion designer, salary increase if he agrees to have an intimate relationship with her. (2)
- 4.1.3 The receptionist of Kgomora Logistics Enterprise makes personal calls during work hours (2)
- 4.1.4 Buda Stores charges more for bread in the village than in the city. (2)
- 4.1.5 The CFO of Mphego Consulting used the business credit card to pay for holiday expenses for his family. (2)

Answers

- 4.1.1 Tax evasion ✓✓
 4.1.2. Sexual harassment ✓✓
 4.1.3 Abuse of work time ✓✓
 4.1.4 Pricing of goods in rural areas ✓✓
 4.1.5 Unauthorized use of workplace funds and resources ✓✓

4.2 Read the scenario below and answer questions that follow.

MARPHA WAX (MW)

Martha and Phillip are the directors of Marpha Wax a polish and soap manufactures. Martha hired Pinky, her sister, as financial manager although she is not qualified for the position without advertising the post and conducting interviews The production supervisor encourages workers to pumping contaminated water into rivers to save on disposal costs.

The business uses of misleading, false or unproven information to advertise products to consumers. Jacob, the truck driver, does not return the truck to the factory over the weekend and generates extra cash for himself.

4.2.1 Quote FOUR unethical business practices from the above scenario. (4)

4.2.2 Recommend a strategy to deal with each unethical business practice identified in QUESTION 5.2.1 (8)

Use the table below as a guide to present your answer.

UNETHICAL BUSINESS PRACTICE	STRATEGIES

Answers

UNETHICAL BUSINESS PRACTICE	STRATEGIES
Martha hired Pinky, her sister, as financial manager although she is not qualified for the position without advertising the post and conducting interviews ✓	<ul style="list-style-type: none"> • Adhere to labour laws such as Basic Conditions of Employment Act. ✓✓ • Follow appropriate recruitment processes and procedures ✓✓ <p style="text-align: right;">Sub max 2</p>
The production supervisor encourages workers to pumping contaminated water into rivers to save on disposal costs. ✓	<ul style="list-style-type: none"> • Adhere to the conservation acts. ✓✓ • The business must educate employees on conservation ✓✓ <p style="text-align: right;">Sub max 2</p>
The business uses of misleading, false or unproven information to advertise products to consumers. ✓	<ul style="list-style-type: none"> • 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 ✓✓ <p style="text-align: right;">Sub max 2</p>
Jacob, the truck driver, does not return the truck to the factory over the weekend and generates extra cash for himself. ✓	<ul style="list-style-type: none"> • The business can install a tracking devise in the truck ✓✓ • The business can introduce log book to record the kilometres per trip ✓✓..Sub max 2
(4x1) 4	- Max 8