

Subject Content	What students need to learn?
2.1.4	How ethics influence business activity
Ethics, the environment and business	How environmental considerations influence business activity The potential impact of pressure groups on the marketing mix

Ethics and Profit

A business may have to accept lower profits when behaving in a socially responsible way, however this may only be a short term issue as the positive publicity gained may increase reputation and customers which could increase profits in the long term.

Although there may be a positive effect in the long run which may counteract any reductions in short run profits, in the short run there is likely to be a trade off between ethics and profit. It is up to the business to decide whether it would rather do what is right and lose profits or continue maximising profits and ignore ethics.

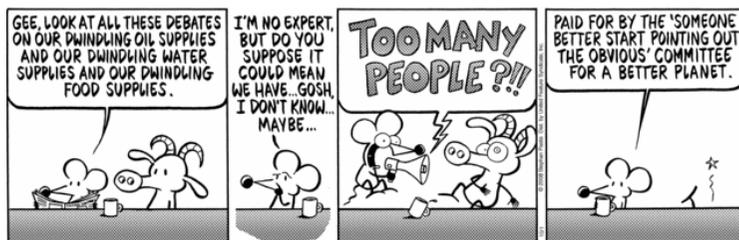
Pressure Groups

A pressure group is an organised group of people that seeks to influence government policy, legislation and business behaviour e.g. Greenpeace, Amnesty International or Searchlight.

If a business behaves in a way that a pressure group disagrees with, the media may turn against the company. This could lead to consumers boycotting the business, damaging profits and upsetting shareholders.

Pressure Groups and the Marketing Mix

If a pressure group targets a particular business, the business has little alternative but to respond, this may involve changes to their marketing mix e.g. product. Examples may include the movement away from real fur in clothing or the reduction in sweat shops due to pressure groups.



Ethics

Weighing up decisions or actions on the basis of morality, not personal gain

Ethics and Ethical Considerations

In business it is easy to confuse ethics with ethical considerations. Ethics is the real thing—acting to do what is morally right. Ethical considerations may mean no more than thinking about how to make money out of the appearance of being ethical. Proof that a decision is ethical comes when the business accepts a hit to its profits.

Ethics and the Environment

One particular aspect of ethics that is important in today's society is the environment. Due to the increase in pressure groups such as Greenpeace there is a strong need for businesses to consider their influence on the environment. As such many businesses are now changing their distribution channels to reduce their carbon footprint

Sustainability

All manufacturing requires resources. Plastics, paints and detergents are made from oil, steel requires iron ore and coal and paper is made from wood. Note the difference however. Wood is sustainable, more trees can be planted whereas oil, iron and coal are very different, they take millions of years to be made and so are essentially irreplaceable.

Sustainability: Whether or not a resource will inevitably run out in the future; a sustainable resource will not.

Trade-offs between Environment, Sustainability and Profit

It should be natural for a business to see sustainability and profit going hand-in-hand. To keep making profits year after year there needs to be raw materials to make the product. However short term profits can sometimes be chosen at the expense of sustainability, e.g. R+D into new, more sustainable processes may increase profits in the long term, but are likely to reduce profits in the short term due to the cost.

Some businesses will operate normally whilst trying to dress up their actions as being environmentally friendly, this is known as 'greenwashing'.