

Module 7: Public Relations

Lesson 2 - Business Ethics

OVERVIEW

In this lesson, students will discuss the importance of ethics in business.

OBJECTIVES

1. Define ethics.
2. Explain the role ethics has in business and marketing.

KEY TERMS

Business Ethics

Corporate Activism

Corporate Responsibility

Ethical Consumerism

Ethics

This Lesson Bundle Includes:

- Business Ethics - Lesson Outline
- Business Ethics - Presentation Slides
- Industry Application - Related Links



DISCUSSION

- Do you pay attention to how businesses and brands conduct themselves from an ethical perspective?
- Do you consider an organization's sustainability efforts before choosing to engage or support a business or brand? Do you *expect* them to find ways to reduce their carbon footprint?
- How do negative headlines generated by a company's breach of ethics influence your opinions? For example, if it was reported that your favorite apparel brand was engaged in child labor practices, would it impact whether you would purchase products from that company again?
- Do consumers have ethical obligations when making purchase decisions?

ETHICS

What are ethics?

Ethics are the moral standards by which people judge behavior. Words associated with ethical behavior include honesty, integrity, respectfulness, confidentiality, non-discriminating, legal, and socially responsible. Most **businesses** feel they have an obligation to operate their business from an ethical standpoint. This obligation is referred to as **business ethics** and requires businesses to avoid things like bribery, discrimination, fraud, or turning a blind eye to inappropriate workplace conduct.

Businesses and brands aren't the only ones expected to act in an ethical manner. Consumers can also act ethically when making purchases. **Ethical consumerism** is a decision-making process where consumers spend money in a way that aligns with their personal values. Ethical consumerism entails a consumer's choice to purchase products and services that are ethically sourced, manufactured, and distributed from businesses with strong ethical reputations over products and services that do not meet the same criteria.

Corporate Responsibility

Corporate responsibility refers to a business or brand's impact on society, the environment, and the economy. While similar, business ethics and corporate responsibility are *not* the same things. Corporate responsibility is a philosophy guiding a business or brand's decision-making process in a way that the business or brand can serve a greater good. For example, many businesses and brands prioritize sustainability and focus on finding ways they can reduce the carbon footprint of their operations.

Consumers have indicated a strong desire for businesses to invest in corporate responsibility, and to curb practices like unethical labor strategies and child labor. According to a corporate responsibility study conducted by the insurance company [Aflac](#), 77% of consumers are motivated to purchase from companies that are committed to making the world a better place. Not only does a strong position on corporate responsibility help to fulfill an obligation to operate the business ethically, but it is also good for the company as it relates to building relationships with consumers.



CONSUMERS & INVESTORS INFLUENCE CORPORATE DECISIONMAKING

PURPOSE > PROFITS



49%

49% of Americans believe it is more important for a company to “make the world a better place”



37%

37% of Americans believe it is more important for a company to “make money for its shareholders.”

SOCIAL & BUSINESS IMPACT

77% of consumers

are motivated to purchase from companies committed to making the world better.

73% of investors

believe efforts to help improve society and the environment contribute to return.

SOURCE: 2019 AFLAC CSR SURVEY



<https://www.aflac.com/docs/about-aflac/csr-survey-assets/2019-aflac-csr-infographic-and-survey.pdf>

When businesses and brands do not act in an ethical manner or fail to meet consumer expectations from a corporate responsibility perspective, it can have far-reaching consequences for the long-term health of the company. When issues arise and a business or brand is plagued by negative publicity, it erodes consumer trust. When consumer trust is lost, the organization will sometimes completely reset by rebuilding its corporate mission, communicating a strong purpose or sense of value, and replacing the company’s leadership with new executives with a strong sense of business ethics and a commitment to corporate responsibility.

Corporate Activism

Corporate activism is a step forward from corporate responsibility. Corporate activism isn’t necessarily motivated by marketing or as a public relations tactic but is more about a business or brand’s overarching mission in doing what it believes is right. Corporate activism occurs when a business or brand philosophically aims to make a difference in society by positively influencing change. When a business chooses to dedicate itself to corporate activism, it risks alienating a percentage of its customers and can frustrate its investors. But when a business or brand is committed to corporate activism, it can also have a positive impact on the company by way of improved brand reputation and/or loyalty, increased employee morale, and an ability to attract better employees who share a similar vision or sense of values.



Ethics and Corporate Responsibility in Business and Marketing

Decisions relating to how a business or brand responds to political issues can influence its reputation and the way consumers view the company.

Examples:

- According to the annual Axios/Harris Poll 100 that gauges the reputation of U.S. brands, McDonald's [slow response](#) to the war in Ukraine cost the brand 13 spots in the rankings while brands like Hobby Lobby and Chick-fil-A who have long-held political affiliations also saw their reputation rankings decline.¹
- Unilever, one of the biggest consumer goods companies in the world, [pledged](#) to change the way it marketed ice cream products in response to rising childhood obesity rates in America.
 - The company announced it would no longer advertise ice cream to children under the age of 12 in television and print ads and through social media channels for children under the age of 13.
 - Unilever also said it would not promote ice cream products in schools or in children's films and discontinue any celebrity or influencer marketing practices, nor would it use licensed cartoon characters in its marketing.
 - The company said in a statement, "The World Health Organization [names](#) childhood obesity as one of the most serious public health issues of the 21st century. And it's a key reason why Unilever is committing to new principles on marketing and advertising foods and beverages to children."

Another ethical concern many businesses face is how they use and track their customers' private data.

Examples:

- It was [reported](#) that Orbitz, an online travel agency, once marketed higher-priced hotel properties to Mac users over consumers who were shopping using a PC using IP address data.
- In 2018, Uber agreed to [settle](#) a nationwide investigation into a data breach that occurred two years earlier for a sum of \$148 million. Uber attempted to cover up the data breach that gave hackers access to the personal information of 50 million Uber customers and 7 million of its drivers.
- Epic Games, the maker of the popular game Fortnite, [paid \\$520 million](#) last year to settle a FTC lawsuit that alleged the company had collected personal information from teens playing games without parental consent.

¹ <https://www.axios.com/2022/05/24/axios-harris-poll-100-corporate-brands-politics>





DISCUSSION

Consider the business and marketing conversations that have dominated the news cycle recently. As a class, discuss each topic from business ethics and corporate responsibility perspectives.

Space Tourism – Space tourism has taken flight. With billionaires like Richard Branson, Elon Musk, and Jeff Bezos battling for market position in space tourism, many wonder about the industry’s ethical implications. Is space travel safe? Is it sustainable? Some argue that space tourism could be extremely harmful to the environment. There are others that view the practice as distasteful because it caters to the ultra-rich when the billions of dollars driving space tourism could be used to address more important needs in society. What do you think about space tourism?

BNPL (Buy Now, Pay Later) - “Buy Now, Pay Later” (BNPL) has become a popular form of financing for businesses and brands by providing consumers with an option to make big purchases without the immediate resources necessary to secure the product or service. The marketing of these programs often targets financially vulnerable consumers with limited incomes, leading to an increase in those calling for more regulation to help protect consumers, while also questioning whether the practice of BNPL is ethical. In your opinion, is BNPL ethical? Should companies be allowed to sell products or services to consumers who might not be able to afford them?

Politics – Perhaps no topic in any society is more polarizing than government and politics. In your opinion, should businesses and brands become involved in politics? Whether supporting certain policies or politicians through donations or taking a stand with their marketing and corporate activism, companies are becoming more involved. If you were CEO of a company, would you align the business with politics?

De-extinction - In 2021, a startup company that wants to bring the Woolly Mammoth back to life using genetic technology, was valued at [\\$400 million](#). The mammoth went extinct around 4,000 years ago, but the company’s founder believes re-introducing the prehistoric creature could have a positive impact on climate change. Others [believe](#) the concept of de-extinction (the revival of extinct species) to be highly unethical. What do you think?

Consumer Privacy - In the United States, most states can use, share, or even sell any data they collect about consumers, without the need to inform them that they are doing so. There is no national law that standardizes when (or if) a company must notify its customers if their data has been breached and personal information has been exposed to unauthorized parties. Other countries, however, have much stronger regulations in place to protect consumers.²

In your opinion, should each state have a policy in place that better protects consumers and their personal data? Should this be regulated by the federal government? Do you think businesses and brands have an ethical responsibility to do a better job protecting the personal information of their customers?

Artificial Intelligence - While the promise of improving efficiency, cost effectiveness, and the possibilities offered through research and development is encouraging, the proliferation of AI has raised a variety of ethical concerns.

According to a story published by Harvard University, AI presents three major areas of ethical concern for society: privacy and surveillance, bias and discrimination, and the role of human judgment. It has also led to experts asking whether an increased reliance on AI could have significant detrimental impacts on society as a whole. Artificial Intelligence lacks regulation, and those using the technology are not required to be fully transparent in its application.

How do you think AI technology should be regulated? *Who* should regulate it? Do you think the concerns are legitimate? Why or why not?

² <https://www.nytimes.com/wirecutter/blog/state-of-privacy-laws-in-us/>



KEY TAKEAWAY

Most businesses feel they have an obligation to operate their business from an ethical standpoint. Consumers, too, might have a sense of ethical obligation when making purchase decisions. Businesses and brands are prioritizing social responsibility and, in some cases, corporate activism.



INDUSTRY APPLICATION

Connect your classroom with industry examples by reviewing the following news stories relating to concepts covered in this lesson:

Corporate Activism - [Why Ben & Jerry's Speaks Out](#)

Corporate Reputation - [Axios Harris Poll 100: Friendly brands poisoned by politics](#)

Ethics - [Skittles Lawsuit Alleges the Fruit Candy Is 'Unfit for Human Consumption'](#)

Ethics - ['Dark patterns': Regulators eye tech tricks that hurt consumers](#)

Ethics - [Amazon to pay over \\$30 million in FTC settlements over Ring, Alexa privacy violations](#)

Ethics - [FTC alleges Amazon enrolled people in Prime without consent and thwarted members' attempts to cancel](#)

Ethics - [Lawmakers urge SEC to crack down on Chinese retail giant Shein over alleged forced labor](#)

KEY TERMS DEFINED:

Business Ethics: the obligation of a business to operate from an ethical standpoint.

Corporate activism: when a business or brand philosophically aims to make a difference in society by positively influencing change.

Corporate responsibility: Refers to a business or brand's impact on society, the environment, and the economy.

Ethical Consumerism: a decision-making process where consumers spend money in a way that aligns with their personal values.

Ethics: The moral standards by which people judge behavior.