

MODULE 14 ETHICS

Note to Teacher – How to approach this module:

The following preamble appears in the Learner’s Book:

In order to get a good understanding of situations involving business ethics, you are advised to learn from reports that appear in the media. A number of these are reproduced for you in the various tasks in this module. It is not essential to cover every task. Your teacher will select certain of these tasks for you to do either in class or in your own time.

The authors are aware that reading difficulties are experienced by many learners. However, there are also many learners undertaking the subject who enjoy verbal and reading activities. The diversity of tasks in this module is designed to enable you, as the teacher, to select the tasks that best suit the needs of your learners and also to spread the tasks throughout the year so that the ethical concepts get reinforced repeatedly.

This module has also been designed to allow teachers to read the articles with their classes if necessary, or to divide classes into sub-groups or pairs and set different tasks for different sub-groups or pairs. Through reports-back in class, the various ideas can be shared with the rest of the class. The media articles are also useful for more capable learners as extension work, if they habitually finish tasks ahead of the rest of the class.

Also bear in mind that various suggested answers would be acceptable for most of the case studies. Be flexible as these are only suggestions and often matters of opinion. If differences of opinion exist, at all times ensure that the conclusions reached are in line with good, ethical thinking.

TASK 14.1 Understanding types of ethical and unethical behaviour

Alternative valid responses are acceptable

14.1.1	Fraud = deliberate deception Ethical = moral, with good principles Unethical = immoral, corrupt
14.1.2	Valerie Lewis claimed that she was disabled and she claimed benefits such as a living allowance from the government, even though she was fit enough to play golf regularly. This is clearly dishonest and it is immoral because her reasons are false and she is deliberately perpetrating fraud .
14.1.3	No. If others follow her example, the benefits that go to genuinely disabled people will be greatly reduced. Maybe she should have received a harsher sentence.
14.1.4	KFC is no longer advocating that people should lick their fingers. They are simply saying that their product is good. If this is an effort to make people be more health-conscious then it is a good and ethical thing to do.
14.1.5	Yes. It will draw attention to KFC in a positive way. Also people might have been getting used to the old slogan.
14.1.6	Government needs to protect the interests of poor people otherwise they will need more support out of tax money. Also by reducing poverty, the government can reduce crime.
14.1.7	The action of the farmers is probably unethical , but many might not be deliberately deceiving their employees. They are, however, breaking the law. If the farmers cannot afford the basic wage they should not offer the jobs.
14.1.8	The Minister represents the government and it is their duty to ensure safety on the roads. The licensing fraud means that there will be incapable drivers on the road which will be a danger to ordinary citizens.

TASK 14.2 Identifying examples of fraud or unethical behaviour

This Task entails research to be conducted by the learners of current situations involving fraud and unethical behaviour.

TASK 14.3 Alleged tender fraud

Alternative valid responses acceptable.

14.3.1	<p>Wikipedia describes these terms as:</p> <p>'Bribe' = a form of corruption, an act implying money or gift given that alters the behaviour of the recipient, offering, giving, receiving or soliciting of any item of value to influence the actions of an official or other person in charge of a public or legal duty; gift bestowed to influence the recipient's conduct - it may be any money, good, right in action, property, preferment, privilege emolument, object of value, advantage, or merely a promise or undertaking to induce or influence the action, vote, or influence of a person in an official or public capacity</p> <p>'Tender' = a structured invitation to suppliers for the supply of products and/or services; this will usually not only cover product and service requirements, but will also ask for information about the suitability of the business; because of the large scale of projects particularly those offered by public organisations, it is essential that tenders are allocated on a fair and transparent basis.</p>
14.3.2	<p>Savoi is accused of offering bribes to government officials to award tender contracts to his business, Intaka; Block is a government official who is accused of accepting bribes from Savoi in respect of water-purification plants for hospitals in the Northern Cape.</p>
14.3.3	<p>There are many reasons. As stated above, the tender process must be fair and transparent to avoid a 'jobs-for-pals' situation. Also tender fraud will probably mean that the tender price agreed will probably not be the lowest on offer, and the person tendering for the contract might not be the person with the best expertise. Refer also to the recent scandals regarding tender fraud with regard to low-cost housing developments.</p>

TASK 14.4 Price fixing

Alternative valid responses acceptable.

14.4.1	<p>The Competition Commission is a 'watchdog' organisation which identifies unfair practices relating to setting of prices, e.g. prices may be set very low to drive out competitors, or they may be set very high as a result of agreement between competitors. Ordinary citizens benefit from prices set according to demand and supply principles which is how a fair market works.</p>
14.4.2	<p>Their reputation would suffer. Customers will try to buy substitute products from other firms or change their spending habits.</p>
14.4.3	<p>Pioneer Foods was a respected food company and they make essential food products such as bread. As these are necessities, high prices in these products will tend to affect poorer people more harshly.</p>
14.4.4	<p>They have taken disciplinary action and they have not paid out bonuses. Maybe harsher action could have been taken, e.g. implementing criminal procedures if a law has been broken, or dismiss employees guilty of gross misconduct. The warnings might seem to be too lenient. However, the company itself has paid a huge fine, which probably indicates these decisions were made by the top management of the company.</p>
14.4.5	<p>If there are only a few major producers in an industry, they would collude (forming a cartel agreement) whereby they agree to set similar prices and not undercut each other in certain areas. This means the natural forces of competition would not keep the prices down.</p>
14.4.6	<p>A merger would have a similar effect to a cartel. If two competitors join together (merge) then they will set prices together which is not good for competition.</p>

TASK 14.5 Air pollution

Alternative valid responses acceptable.

14.5.1	<p>Organisations identified as being responsible for major emissions: Sasol (60m tons), Eskom (225m tons). Both these organisations are vital to the country's economy in terms of the services they provide and the number of people that they employ. They cannot be closed down, but the potential harm that they are doing to the environment has to be properly managed and controlled. The cost of clearing up the damage to the atmosphere must be borne by these organisations themselves and must be built into the price of the goods and services they provide. The cost should not be a burden to the communities who live in the proximity of the industrial plants.</p>
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14.5.2	It is good that the companies are 'owning up' to the damage they cause to the environment. This means that the effects can be quantified and can be recovered from the companies themselves. This will earn them good reputations and will allow their businesses to be sustainable in the long-term.
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Note to the Teacher:

The 2 tasks below are additional tasks which may be used for extension or as projects.

EXTRA TASK 1 Alleged abuse of the environment

Community takes on Anglo Platinum

Business Report, 29 Nov 2010

An urgent application by a rural Limpopo community to stop the Mogalakwena platinum mine from dumping further waste into a tailings dam was postponed indefinitely on Friday.

The application was made in the North Gauteng High Court by the Sekuruwe community against Anglo Platinum's Potgietersrust Platinum mine. The firm operated the mine on properties adjacent to the farm Blinkwater. The matter was postponed to allow the community to file more papers.

The community maintained the dumping of waste in the dam would cause irreversible consequences. It said the land would be buried under millions of tons of mine waste that would render it sterile and totally unusable for agriculture, grazing or any other purpose. It would make it impossible forever for the community to reclaim its ancestral lands and provide for the subsistence of their families from the land.

Anglo Platinum's programme manager, Etienne Espag, said that the mine contended it did not require any environmental authorisation in terms of the National Environmental Management Act for its activities. The mine argued the tailings dam was not situated on the edge of a wetland, was not a barrier dam and was not used to store water, but was used to ensure that water in the tailings evaporated off or drained through the dam. It said environmental impact assessment regulations were not applicable to the construction of the dam.

The mine insisted that the dam's location had been approved by both the Department of Mineral Resources and the Department of Water Affairs through the granting of mining rights and a water use licence.

According to papers filed on behalf of the applicants, the Sekuruwe community and their neighbours have often been in the news in the past few years, with Anglo Platinum being compelled to apologise to the community for removing their graves without due regard to traditional custom. The relocation of about 10 000 residents of the villages of Ga-Puka and Ga-Sekhaolel was also criticised by the SA Human Rights Commission.

Required:

- 1.1 Why would a business and its owners not want to be accused of abusing the environment?
- 1.2 Briefly explain the disagreement between the community and the platinum mine.
- 1.3 Explain why platinum mining is a valuable activity for the country and why this platinum mine should not be closed down.
- 1.4 If you were the judge hearing this court case, what decision would you take? Explain.

Teacher's Guide:

Alternative valid responses acceptable

1.1	This would affect the reputation of the business as in modern times there is an intolerance for people or businesses who abuse the environment. Global warming and other climatic problems are caused by abuse of the environment.
1.2	The community feel that dumping mining waste in a 'tailings' dam would affect agriculture in the immediate area. They are assuming that this dam water will be used for irrigation.
1.3	Platinum is vitally important in the production of many high tech products and SA is one of the leading platinum producers, so this mining activity creates an inflow of foreign exchange and helps to create jobs. The mining authorities have heard this case and did not anticipate the dam being used for farming and gave permission for the mine to discharge waste in this way.
1.4	The other complaints against this company are also a concern, e.g. the removal of graves. However, in the case of the waste disposal they appear not to be at fault given that permission was granted. The judge's decision will probably depend on how convincing the arguments are from the community as against the mine when they present them in court.

EXTRA TASK 2 Waste disposal

Refer to the article below to answer the questions which follow:

Oppenheimers caught in medical waste scandal

By Werner Swart, Times Online, 28 Nov 2010

One of South Africa's most prominent families has emerged as a shareholder in a company at the centre of the country's biggest medical waste scandal. The Oppenheimer family has confirmed holding a 30% stake in Wasteman, which the Sunday Times exposed for dumping tons of untreated medical waste around Welkom in the Free State last year.

Former CEO Olivier Meyer, former general manager Andre Swanepoel and former operations manager Daniel Krijnauw were among those arrested. They and Welkom businessmen Gavin Brasher and Neil Meiring, farm owners Joubre, Willie and Joeje Knoesen, Johannes le Roux and Weltrust Meubelvervoer have not been asked to plead. They are due to appear in the Welkom Magistrate's Court again tomorrow when prosecutors are expected to add Wasteman as an accused.

If found guilty on charges of the unauthorised disposal of waste, the parties each face a fine of up to R10-million and/or 10 years' imprisonment.

Speaking on behalf of the Oppenheimers, spokesman Tom Tweedy said they "appreciate" the public outcry that followed the discovery of the medical waste - including body parts, syringes and bloody swabs - collected from private hospitals. Tweedy said the company had already taken remedial action by dismissing senior personnel.

"We believe that, in the light of the serious nature of this case and the necessity that confidence and trust is restored in Wasteman to act at all times within the letter and spirit of the law, and to ensure regulations pertaining to the safe disposal of medical waste are fully complied with, the directors of Wasteman have acted professionally, incisively and comprehensively to remedy the failings established in the internal investigations," he said.

Wasteman fired Meyer, Swanepoel and Krijnauw. The company also had to pay R50-million for clean-up operations. Further allegations of misconduct have come to light. Affidavits by another senior Wasteman employee and former staffers at the BulBul landfill site in Durban, also belonging to Wasteman, are expected to be handed in at the trial.

Required:

- 2.1 Explain why the waste disposal business, Wasteman, is accused of bad practice.
- 2.2 The Oppenheimer family has a fine reputation with regard to business practice and were obviously unaware of medical waste scandal explained above. Explain the positive role that they appear to be playing in resolving this matter.
- 2.3 If you were the CEO or Managing Director of a waste disposal firm, what steps would you put in place to avoid an incident of this nature in future?

Teacher's Guide:

Alternative valid responses acceptable.

2.1	Wasteman is accused of dumping medical waste material in open public places. This will be a danger to the lives of others and it amounts to abuse of the environment. Also, they obviously expected that the government or the local municipality would clean up the mess, which would be unfair as this would push up the rates and taxes paid by the residents. The problem is of Wasteman's making. They should pay for rectifying the problem.
2.2	The Oppenheimer family have acknowledged that Wasteman have erred. As shareholders, they were unaware of this practice. Now that they are aware, they are using their influence to ensure that the company adheres to good business practice.
2.3	The CEO is responsible for ensuring that the company meets its obligations to their clients, and operates in an ethical and responsible way. Clients are being charged for the waste disposal service, the clients assume that the waste is being disposed of safely, and it is Wasteman's duty to ensure that the contract is carried out properly. The CEO must appoint reliable managers to oversee the process, documentation must be signed off to prove that the process has been carried out properly, and the proper vehicles and equipment must be purchased to discharge the responsibilities of Wasteman. Managers who cannot comply with the requirements should not be re-employed, and all employees should be bound by an agreed code of ethical business practice.

TASK 14.6 Medical Aid fraud

Alternative valid responses acceptable.

14.6.1	A citizen joins a Medical Aid as a member and pays a monthly premium. In return the Medical Aid pays the medical bills of the member in accordance with their rules which are stipulated in advance. Members can decide whether to go onto a cheap or an expensive plan. Employers often contribute part of the premium on behalf of the members because it is in their interests to have healthy employees who can afford medical care.
14.6.2	They colluded to defraud several medical aid schemes of millions of rands in making fraudulent claims to Metropolitan Health Corporate. The claims would be for medication that was neither dispensed nor required. The doctor allegedly provided prescriptions for unnecessary medication without seeing the medical aid member, but would claim a consultation fee from the medical aid scheme.
14.6.3	The pharmacist and the doctor will gain a bad reputation. People will not want to deal with them and their businesses will not be sustainable. If found guilty, they will face imprisonment or substantial fines, and they will also be dismissed from the professional bodies that govern pharmacies and doctors. They will not be able to operate in these professions again.

EXTRA TASK 3 Qualifications fraud

Fake matric certificates becoming a problem

By Bronwyn Gerretsen, Pretoria News, 1 Oct 2007

Fraudulent matric certificates are becoming a major problem as more people resort to falsifying their documents to enrol at tertiary institutions or get a job. On average, for every 100 matric certificates verified by Umalusi, the council for quality assurance in general and further education and training, four are found to be false. The council, the only body authorised to print and issue matric certificates, has already identified 515 forged certificates this year alone.

Spokesperson Eugenie Rabie said matric certificates had 21 security features that made it easy to identify a fraudulent certificate. Ina van der Merwe, the chief executive of Kroll, the world's leading screening and risk consultancy company, said 14 percent of South African qualifications verified were tampered with.

"It varies from the 'little lie', where a candidate alters the symbols they achieved on a matric certificate, to the gross lie, where a candidate had never seen the inside of a university," she said.

Unisa prosecutes students who provide forged matric certificates. Gerhardt Waldeck, the head of readmission to studies and student disciplinary matters, said on average the institution found 15 to 20 forged matric certificates a year. "We are the only institution in South Africa that prosecutes students. "When students register they are supposed to submit a matric exemption certificate or their exam results, and if these are not original or certified copies, we verify them." They "picked up" fake matric certificates by looking at the paper, printing quality and fonts. Laminated certificates were also suspicious. "There are lots of things that warn us. You can also pick up stupid mistakes. For example, a student will have four higher grade passes and two standard grade passes, but no matric exemption." In other cases, the date of birth and ID number did not match, he said.

Waldeck said that even on completion of a degree, the qualification was not conferred without the matric certificate being checked again. If it was found to be false, all courses completed for the degree would be declared null and void. When a Unisa student was found guilty of such fraud, they were suspended for five years. If later the student wanted to reregister, they would still have to supply their matric certificate.

All fraud cases were reported to the SAPS. Waldeck said in nine out of 10 cases the student was found guilty, resulting in a fine and suspended sentence, or both.

Required:

- 3.1 What is your reaction to this article and the fact that many students are obtaining fraudulent matric certificates? Why?
- 3.2 If only 4 out of every 100 certificates are fraudulent do you believe that it warrants all the effort to verify the certificates? Why?
- 3.3 What is your reaction to the claim that Unisa is the only institution that prosecutes students found with fraudulent certificates? Why?
- 3.4 Do you believe that the sentence for a person found guilty by the SAPS is justified? Comment.
- 3.5 Is our exam system in this country not so beset with fraud in various aspects, besides those mentioned by the article, that we are wasting time conducting the exams? What is your opinion on this matter?
- 3.6 Why do you think that South Africa experiences these problems? What can be done about it?

Teacher's Guide:

3.1	Learners to give their own opinions and reactions to the articles. Allow them to discuss amongst each other and share their points of view.
3.2	Learners to give their own opinions but any fraud is to be deemed to be too much and should not be accepted.
3.3	Learners to give their own opinions regarding whether students should be prosecuted at all and if so why is only Unisa doing this.
3.4	Learners to give their opinion on the sentence of a fine and suspended sentence. Is this strict enough to stop further fraud?
3.5	Learners to discuss all the fraud that takes place around exams – cheating, buying of exam papers etc besides the fake certificates. Learners to give their own opinions on whether the exam system should continue, but it is important that they offer an alternative if they do not agree.
3.6	Learners to give their own opinions on the crime situation in South Africa and why they think it is so high.

TASK 14.7 Theories about unethical conduct

Various answers acceptable.

14.7.1	Study of why ethics are eroding. Trends in ethics. Measures that can be taken to improve the situation. Education of the people of the country. Etc.
14.7.2	These are so called intelligent, educated people who fill positions of management and / or responsibility in the businesses.
14.7.3	Greed and temptation. Self-centeredness – lack of concern for others. Personal gain. Decline in moral self-control. Changes in the ethical role of religion.
14.7.4	An account in which client's money is put in while legal transactions are taking place.
14.7.5	KPMG – 1 000 listed companies and about 400 public entities.
14.7.6	Unit that studies legal matters – crime.
14.7.7	88% of the respondents indicated that they suffered an exceptionally high level of fraud committed by their own employees while Brazil only reported 55% and India 46%.
14.7.8	Weakening of social values.
14.7.9	Dr Alan Boesak – theologian, human rights activist. Ian Stokes – lawyer. Brad Sadler – NBS manager in Durban.
14.7.10	Health & Racquet Club – Fitness industry. Hansie Cronje – Cricketer.
14.7.11	The negative effect it is having on society at large – lowering of values, lack of trust, hardships caused when people are arrested, etc.
14.7.12	Own opinion.
14.7.13	Own opinion: Learners to collect articles and report on them.

TASK 14.8 Human organ transplant scandal

Alternative valid responses acceptable

14.8.1	Netcare's reputation has 'taken a knock' because illegal operations were taking place in their hospitals. This was in contravention of the Human Tissues Act. The public will not want to be treated in disreputable hospitals.
14.8.2	Transplants of organs between relatives are allowed in terms of the Act if they are in accordance with the requirements of the Act. It is illegal for trading in human organs to occur. If the patient and the donor are not related, effectively this means that the organs are traded, especially if it can be proved that an amount has been paid for the organs.
14.8.3	Netcare is very lucky to have positive results after this scandal. This might be due to the fact that hospital space in private hospitals in SA is very scarce. However, Netcare has said that they no longer employ the culprits, and they have paid a big fine.

14.8.4	This case is still on-going. Reports have come to light in which it is alleged that such incidents have occurred in Netcare hospitals in other cities in SA, and that the surgeons were not informed that the transplants were illegal. Should this be the case, Netcare might receive further fines, the directors responsible will probably be disciplined or dismissed, the profits of Netcare will drop, potential investors will avoid the company, the share price will drop, and the owners (shareholders) will consequently lose out on profits they might have made on their shares in Netcare.
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TASK 14.9 Survey

Learners are to conduct this survey and to give a report back.

TASK 14.10 Illegal copying or piracy

14.10.1	Copyright is the exclusive right a person or company has to publish, sell or control a book, poem, music, etc. The authors/musicians earn royalties on the sales and every time somebody illegally copies this, it means they lose part of the income.
14.10.2	The Recording Industry of South Africa; Southern African Federation Against Copyright Theft.
14.10.3	Yes, as the authors/musicians rights need to be protected.
14.10.4	Musician / authors will not earn enough and this will impact on the quality and quantity that is produced.
14.10.5	Yes, as the musicians earn royalties on all sales.
14.10.6	Own opinion.
14.10.7	Own opinion: Learners to do this research.

TASK 14.11 Crime in different eras

14.11.1	Hunter – stealing Industrialist – stealing trade secrets Information – piracy	Farmer – sabotage Technological – stealing / copying information
14.11.2	Cell phone – used for communication and used in crimes, threats, etc.	
14.11.3	Learners to share their ideas.	

TASK 14.12 Theories about human behaviour

Allow learners to debate these statements and come up with their own examples.

TASK 14.13 Moral dilemmas

The purpose of this task is to allow learners to debate their reactions to circumstances. It is often easy to criticise when it does not personally affect you, but it is different when you expect them to react in an ethical manner that might make them unpopular.

TASK 14.14 National crime surveys

14.14.1	The survey involved some 3 600 companies worldwide. This is probably a very small percentage of the total number of companies.
14.14.2	Economic crimes affect the economy, i.e. profit made by the businesses or finances of their customers.
14.14.3	South Africa produced a figure of 71% for those companies battling with economic crime while internationally the figure was reported as 37%. South Africa appeared worse off in all the surveys.
14.14.4	Foreign investment means more money in the country which leads to a higher growth in the economy – more profits, more jobs, and a better general standard of living.
14.14.5	Learner's own opinion.
14.14.6	Learner's own opinion – refer to control measures in the previous module.

TASK 14.15 Ethics leads to success

14.15.1	Third World Sweatshops are producing items at very low prices generally due to poor working conditions, e.g. low wages, long hours, sleeping and working on the premises, very little time off, drugged to keep them awake, poor food, etc. Owners are doing this to increase their immediate profits although these strategies are ill-advised and do not lead to long-term profits.
14.15.2	Has struck a deal with London Fashion week to supply the official T-shirts for its staff, catwalk assistants and fashion writers. Will brand itself as ethically conscious and will have photo galleries and video screens showing footage of Third World Sweatshops. They also use brazen advertising slogans.
14.15.3	The Body Shop.
14.15.4	It has grown from having 50 workers in 1997 into employing 1 200 and to become a world famous brand.
14.15.5	The working conditions are good.
14.15.6	It would probably have benefited the company but the overall package is what makes them even more successful – own opinion.
14.15.7	To uphold the name of the company. To behave in an ethical manner. To work according to the standards set. Etc.
14.15.8	Own opinion.

TASK 14.16 Scenarios

Allow the learners time to debate the various scenarios and to share with each other. Various opinions possible.

TASK 14.17 Whistle-blowing

14.17.1	Learners to give their own opinions on whistle-blowing together with reasons. If people keep quiet then fraud will not stop. But for many people there are consequences to blowing the whistle on others, e.g. intimidation of themselves or their families. Ask learners what they would do in a school situation. Will they blow the whistle on their peers?
14.17.2	While ethically there is no debate as to what the correct answer is, reality does dictate differently in many cases. Allow the learners time to debate this very sensitive issue.
14.17.3	Cheques have in many cases been phased out with internet and electronic banking being more common today or even making use of credit or debit cards. Banks have also introduced new legislation around cheques to try to prevent fraud, e.g. no longer can alterations be signed, cash cheques are not encouraged, etc.
14.17.4	Keep your cheque book safe, do not sign blank cheques, cross all cheques, do not post blank or cash cheques, check your bank statement, follow up with outstanding cheques, etc.
14.17.5	Learners to give their own opinions but generally criminals buy with a fraudulent cheque for a limited period of time, before they get discovered and then go on to another person's cheque. These cheque books could be stolen or even duplicated or forged together with false identities, etc.
14.17.6	The stands had already been sold, so effectively there were at least 2 owners for the stand, which cannot be. The second buyer would lose his deposit.

TASK 14.18 Terminology

Discipline – training of the mind or character.

Transparency – openness.

Independence – the condition of being independent, not being unduly influenced by others.

Accountability – liable to call to account, responsible, answerable.

Responsible management – behaving and making decisions in a responsible and well-considered manner.

Fairness – make decisions fairly to all stakeholders – no discrimination, not prejudicing or favouring some at the expense of others.

Social issues – those affecting people in the world around us, AIDS, pollution, environment awareness, etc.

TASK 14.19 Highway Clothing

This is a group activity in which learners express their own opinions.

TASK 14.20 Buzi Bee Construction

There is no set format for this task. Group activity in which learners draw up a code of ethics and make a presentation – own interpretation. Learners may use their school’s mission statement as a basis, but should gear it towards ethical conduct issues.

TASK 14.21 Role Play

Allow the learners the opportunity to enact this meeting. Teachers should guide learners into socially acceptable interaction displaying traits of responsibility, accountability and empathy.

EXTRA TASK 4 Role Play: Unethical conduct

In order to communicate the nature of unethical conduct, Teachers may consider asking learners to enact the following role-play activity:

Required:

Enact a role-play with the person sitting next to you to illustrate a minor ethical indiscretion on his part. For example: you have lent him R20 and he has not repaid you. The repayment is long overdue. You now regard this as theft. You agree that you will not take the matter any further, provided he listens to a lecture from you on ‘ethics’. You may change the circumstances and you may add other characters.

TASK 14.22 Code of ethics

This Task involves a research on the internet. Ethical matters are often covered in the notes to published financial statements in the business report section of the newspapers, and on websites of specific businesses. Where learners have access to the internet, they may do a search for ‘ethics’.

TASK 14.23 Milestone cases: Enron, Worldcom & the FBI

14.23.1	Own opinion – learners must justify their answers. Pirates are those who steal from others with impunity.
14.23.2	There was corporate fraud taking place, yet they were reporting as if all was well.
14.23.3	The analogy is the collapse of the organisation. Allow them to debate the analogy of the demise/crumbling of the Twin Towers in New York.
14.23.4	Greed, temptation, corruption, etc.
14.23.5	Person who blows the whistle – lets the information out. Allow learners to debate the ethics of whistle blowing. Learners should appreciate that it takes courage to take a stand.
14.23.6	Whistle blowers – stood up and let the world know what was going wrong even though this would impact on their employment and living conditions – would be ousted by many.

TASK 14.24 Good business qualities

Own opinion – allow the learners time to discuss and debate these issues. Various answers possible. The responses below are guides only.

14.24.1

Characteristic	Example of poor corporate governance
Discipline	Budget variances not treated seriously.
Transparency	Paying employees different wages for the same job and the same level of efficiency.
Independence	Agrees with competitors to set prices, rather than trying to give the best deal to customers e.g. recent allegations against the motor car industry.
Accountability	Makes excuses for deficiencies in the product sold to customers and refuses to redress the problem.
Responsible management	Does not train workers effectively.
Fairness	Different prices for different customers.
Social issues	Waste materials are discarded in a haphazard fashion, or employees expected to work in unhygienic areas.

14.24.2

Good corporate governance leads to:

- Goodwill of customers (they continue to support the business, which leads to sustained profits).
- Respect of workers (this leads to happiness and greater efficiency).
- Confidence of investors (this leads to fewer financial problems, ability to borrow in times of need).

These are merely some examples.

EXTRA TASK 5 Executive bonus

The following article appeared in Time magazine, February 2, 2004:

WILL EXECUTIVE BONUSES BE NEXT?

Marking a victory for anti-corruption campaigners, 18 of the world's top construction and engineering firms have agreed to stop paying bribes to win contracts. At the Davos World Economic Forum, the firms – including Hochtief of Germany, Swiss-based ABB and Shanska of Sweden – unveiled a set of principles aimed at eliminating bribery, contending that businesses themselves are hurt by rampant payoffs because they distort competition.

“There is significant corruption in the industry,” Alan Boeckmann, chief executive of US construction giant Fluor, tells TIME. Some big players, including Bechtel and Halliburton – which last week fired two employees for allegedly taking \$6 million in kickbacks from a Kuwaiti sub-contractor – declined to participate, but with an accord now in place there is growing pressure to sign up. Will the pledge be enforced? We'll see. “We all know this is just a first step,” Boeckmann acknowledges.

Required:

- 5.1 The article says that bribes ‘distort competition’. Why is this so? Who suffers as a result?
- 5.2 What is a ‘kickback’?
- 5.3 In your opinion, will this ‘accord’ or agreement be successful? Explain.
- 5.4 In your opinion, what is TIME magazine’s reason for choosing the heading ‘Will executive bonuses be next?’

Teacher’s Guide:

5.1	Competition does not take its normal course. Ultimately costs more which impacts on the economy, which means indirectly all people suffer.
5.2	Person gets paid a sum of money to award them the contract even if it is not the best deal.
5.3	Own opinion.
5.4	Provocative question, posed to create a reaction. There are current concerns that CEOs are being over-paid.

TASK 14.25 Characteristics of good governance

	Discipline	Transparency	Independence	Accountability	Responsible management	Fairness	Social responsibility
Irry tells his kitchen assistant to throw waste food in the river nearby.							X
Irry makes lengthy private calls from the business' phone.	X						
Irry pays his gardener at home wages of R500, but he records this as a business expense.		X					
A customer is ill after eating fish at the restaurant. Irry says to him that his fish supplier delivered defective fish.				X			
Irry serves alcohol to customers under the age of 18.					X		X
Irry fires a waitress because his wife had an argument with her. The wife was at fault.			X				
Irry deliberately under-pays VAT to SARS by R3 000.		X					
Irry employs a new waiter at half the salary paid to other waiters, because he knows he is desperate for the job.						X	
Irry tells his father that he cannot make the loan repayments this month because business was slow. However, he took extra drawings to pay for an overseas holiday.		X				X	
Irry spends R1 000 per week from petty cash on sundry expenses (the budget is R300 per week).	X						
Irry deliberately gives a customer change of R30 instead of R50. The customer does not notice.		X				X	
Irry refuses to spend R1 000 on a security gate at the front door of the business. One afternoon, the cashier is seriously injured by a burglar in a robbery.					X		
Irry tells his employees that he cannot give them more than a 2% salary increase this year because the business is not doing well. Meanwhile, he decides to employ his wife as a manager.		X				X	
Despite the fact that many employees from a local business regularly buy lunch at his restaurant, Irry refuses to contribute R300 for an advertisement in their AIDS-awareness brochure.							X

TASK 14.26 Triple bottom line

14.26.1	Because it was inevitable that these measures would be taken eventually.
14.26.2	Stakeholders have an interest in the business. Non-contractually linked stakeholders would be the community, environment, etc. Those who have no form of legal contract (e.g. employment/transaction).
14.26.3	Economic – relates to profits/financial efficiency; Environment – relates to the world around us; Social – relates to people in the world around us.
14.26.4	Learners are encouraged to conduct this survey. Responses may vary from support to ignorance of the proposed changes in corporate reporting.

CHECKLIST

SKILLS	Yes – proficient	Requires more attention	Complete
Understand the terms values, morals and ethics.			
Identify the difference between ethical and unethical conduct.			
Appreciate the impact on the business world as a result of poor values, morals and ethics, and the effect on ordinary citizens.			
Understand the development of man over the centuries.			
Appreciate the need for legislation in governing ethics in business.			
Understand the importance of the King Code.			