***Chapter 9 Activity and case study solutions***

**Case study 9.1: Investing ethically**

1. Ethical investment activity has increased by 25% in Australia.
2. Evidence of importance of corporate social responsibility:
3. The sector's capital has doubled over two years as ethical, environmental and social concerns weigh on the minds of investors. ‘There's a growing understanding from the public that there are ways they can invest their retirement savings in line with their values and beliefs,’ RIAA chief executive Simon O'Connor said.
4. According to the report, there are 30 super funds including Cbus and First Estate which have dumped tobacco from their stock portfolios, mum and dad investors are also shunning ‘harmful’ investments in favour of clean shares.
5. The report showed more than $21.3 million went into ‘deep green’ screening investments in 2014, while $8m was invested in sustainable green technology stocks. It also said such funds report strong returns, outperforming the ASX300 in the short and long term.
6. *Student answers will vary*. Three businesses that:
	1. would be negatively impacted by the increase in ethical investment:
		1. coal
		2. petroleum
		3. coal fueled electricity (etc.)
	2. would be positively impacted by the rise in ethical investment
		1. Solar industries
		2. Technology
		3. fair trade businesses (etc.)

**Activity 9.1**

Students will find the material required to answer the questions associated with this activity by accessing the following links.

* Visit the Woolworths Limited website: <http://www.woolworthslimited.com.au>
* Click on ‘A Trusted Company’: <http://www.woolworthslimited.com.au/page/A_Trusted_Company/>
* Click on the sub headings labelled ‘Environment’ and ‘Community’.

**Case study 9.2: Fairtrade**

1. Students required to visit <http://fairtrade.com.au> and answer questions accordingly.
	1. Students should note an enhanced reputation and attraction of ethical customers
	2. Any 5 from the list
2. Student answers will vary.

*Both producers and suppliers who purchase from them are entitled to use the Fairtrade logo in return for ensuring the conditions listed below are met.*

*Producers (farmers) must meet designated economic, social and environmental standards. In return they are guaranteed sustainable and fair prices for their products to guard against fluctuations in world markets. The price is guaranteed to cover their costs of production. Farmers also receive an additional sum of money known as a Fairtrade premium on top of the guaranteed price. This is designed for investment in local communities in social, economic and environmental developments, such as schools and hospitals.*

1. Effects on triple bottom line results
* Economically: Costs and therefore prices are likely to rise. This may be overcome by improved social responsibility.
* Socially: improved reputation
* Environmentally: improved reputation for environmental responsibility
1. Student answers may vary
	1. café: changed suppliers, increased costs, improved reputation.
	2. coffee grower in New Guinea: Accreditation process and auditing required. Wages of employees may be affected.
2. Student answers may vary.
	1. producers:

Advantages: Higher income security, improved living standards as a result. Disadvantages: Increased costs during processes of becoming accredited

* 1. Australian businesses:

Advantages: Improved reputation as CSR

Disadvantages: Increased costs

* 1. customers:

Advantages: Increase in social responsibility

Disadvantages: Price of coffee increases

**Case study 9.3: Social responsibility and operations**

1. 33%
2. Manufacturing, customer service/sales and IT.
3. Competitive advantage; cost-benefits resulting from less staff and low operations costs; closer location to suppliers and key markets; access to a wider labour market
4. Potential effects of offshore outsourcing
	1. Australian employees: loss of jobs and training opportunities
	2. the Australian economy: Loss of employment; increased unemployment benefits paid out; income lost to overseas; loss of income tax revenue.
5. 77% of Australians believe that the quality of overseas outsourced work is inferior to that done at home. 45% of Australians say they would reconsider signing up for a service such as a mobile phone or internet contract if they found out that the provider had outsourced their customer service overseas. Businesses need to weigh up whether or not the financial benefits of sending work out of Australia is balanced by the backlash they may face from customers who want a fully Australian made product or service.
6. Australian consumers may take their business to local producers.
7. Due to low unemployment rates in Australia.
8. Social responsibility concern:
	1. Loss of Australian jobs means that firms that outsource may lose reputation and therefore lose customers / sales.
	2. Could impact on the reputation of firm as that use these suppliers. Seen as socially irresponsible.

**Activity 9.2**

Students are required to use information from [www.cambridge.edu.au/vcebusman34+311](http://www.cambridge.edu.au/vcebusman34%2B311) to answer the questions. They must include recently recalled products, the reason for the recall and the effects on the business’ reputation and competitiveness.

**Activity 9.3**

|  |  |  |
| --- | --- | --- |
| ***Operations strategy*** | ***Advantages*** | ***Disadvantages*** |
| * *Adoption of new cleaner/greener technology imported from overseas*
 | * Reduce waste.
* Lower landfill costs.
* Reduce CO2 emissions.
* Improve reputation.
 | * High purchase cost.
* Maintenance costs.
* Diverting funds overseas.
* CO2 associated with transport of technology from overseas.
 |
| * *Adoption of a purchasing policy that stipulates that only local suppliers will be used*
 | * Minimise CO2 associated with procurement of inputs.
* Support local suppliers.
* Improve reputation.
 | * Local supplier may be more expensive.
* Overseas workers deprived of potential employment.
 |
| * *Use of recyclable packaging*
 | * Lower landfill costs.
* Reduce prices of inputs.
* Improve reputation.
 | * May not be appropriate for some industries that require sterile packaging –and pharmaceutical industry.
 |
| * *To use green energy rather than that produced through burning coal*
 | * Reduce CO2 emissions.
* Improve reputation.
 | * Green energy may be more expensive to purchase than ‘dirty’ energy.
 |
| * *To close a manufacturing plant that has been found to have produced large amounts of waste and carbon emissions*
 | * Reduce waste.
* Lower landfill costs.
* Reduce CO2 emissions.
* Improved reputation.
 | * Cost of closure.
* Potential redundancies.
* Cost of payouts.
 |

**Case study 9.4 Ethical and socially responsible operations management**

1. Student responses will vary. Must provide four answers.
* Soap Aid: Recycling of used soap to give to the needy.
* Environmentally responsible packaging
* No animal testing on products used
* Use of vegetable based biodegradable products
* A purchasing policy which stipulates that only CSR suppliers be used
* ISO quality standards certified
1. Student responses will vary. Must provide three answers.
* Increased costs of supplies (inputs)
* More difficult to locate appropriate suppliers
* Quality of products may be negatively affected
* Reduced competiveness as a result of increased costs
* Cost of accreditation
1. Student responses will vary. Must provide three answers.
* Improved reputation as a CSR business
* Attracts customers / clients with a preference for dealing with csr businesses
* Lower waste disposal costs
* Reduced waste and use of non-renewable resources
1. Costs may fall as a result of using fewer inputs. This will allow the business to reduce prices and therefore increase competitiveness. Also improved reputation as a being a CSR business will create a competitive advantage

**Case study 9.5: Outsourcing employees**

1. The CSR issue of using overseas suppliers from third world nations who exploit employees and force them to work in unsafe conditions.
2. More Australian businesses are using global supply chains. This has increase the likelihood that third world labour has been exploited when creating the products. It is difficult often to know whether exploitation of workers I occurring within a global supplier. Laws and protections vary nation to nation.
3. Australian consumers demand better working conditions for outsourced employees of clothing manufacturers.

Of the people surveyed, 83 per cent stated they wanted clothing retailers to be more transparent about the locations of their supplier’s factories.

70 per cent said they would gladly pay more for goods if it meant for better conditions for the workers involved.

1. Coles, Target, Cotton On and Forever New have all been named as companies that have outsourced to illegal and dangerous factories in Bangladesh. However, Cotton On, Target and Forever New recently signed on to *The Bangladesh Accord on Fire and Building Safety* along with Kmart.
2. Australian companies are put under pressure by this report. If they ignore it they risk being exposed through the media as supporting the exploitation of third world employees. This will have a negative effect on reputation, which will in turn have a negative effect of competitiveness, sales and profits.