

TASK 2: DEVELOPING ORGANIZATIONAL ETHICS AND SOCIALLY RESPONSIBLE BEHAVIOR

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Task 2 Ethical Leadership C206

Introduction

In section A ethical leadership discussions are made to emphasize the purpose of corporate social responsibility (CSR) in an organization. Identification is made to one primary and one secondary stakeholder that influence Paradigm Toys. Then analysis was made on how Paradigm Toys can meet the CSR for the primary and secondary stakeholders. In section B discussion of the importance of ethical leadership by explaining why it is important for organization to develop an ethical culture especially the role of Paradigm Toys leadership in fostering an ethical culture. Explanation for the purpose of an ethics audit and discussion of ethic audit brought into Paradigm Toys. In section C ethical dilemmas were discussed, analyzed, and with viable solutions to the ethical dilemma. Lastly, in section D a proposal for implementing an ethical training program was entertained for Paradigm Toys with three key topics to be addressed in the training with a recommended delivery method for the training program.

A. Discuss the purpose of corporate social responsibility (CSR) in an organization.

Why corporate social responsibility affects the organization and its external stakeholders?

There are three reasons for corporate social responsibility (CSR). First, a pragmatic reason in which businesses must use its power responsibility in society to protect their vitality also protecting its reputation. Second, an ethical reason in which business in society has the “duty to care” responsibility to exhibit ethical behavior in applying moral values, and proactive corporate policies through honesty, integrity, and justice values. And third, the strategic reason approach to CSR thus by emphasizing the interdependence of business to society. The strategic approach can be proactive then pragmatic approach in that society ask businesses to identify and acknowledge activities of its businesses that can do harm; therefore, to scrutinize potential harms by focusing on

own value chain activities. For example, businesses should consider suppliers when thinking about potential harm from their products. In the case for Paradigm Toys as retailer and manufacturer of children's toys should keep in mind their CSR being proactive their toys "doing no harm" to consumers which are children. For Paradigm value chain describes all the business normal activities that add value as a product or service passes from one section of the supply chain to another. Therefore, discussion has been made how corporate social responsibility affects the organization and its external stakeholders based on three reasons such as pragmatic, ethical, and strategic approaches.

How is the purpose of CSR reflective through the types of CSR? There are four types of corporate social responsibility. First, economic responsibility in which its primary function of producing goods or services that consumers need yet making an acceptable profit. The economic responsibility of an organization in providing jobs, products, services, and contributes to the economy. Second, another type of CSR is ethical. The ethical responsibility based on the core values of empathy, originality, integrity, and courage to avoiding harm to the public also; doing what is right on ethical decision-making processes. The third, CSR is legal responsibility to abiding by the current laws and government regulations imposed upon its industry. And lastly, the fourth CSR of philanthropic responsibility which promotes human welfare or goodwill through donations or corporate time and money or products or services. For example, Paradigm Toys donates during holidays such as Christmas toys for children in under privileged areas of poverty in the city. In this section discussion was made on the purpose of CSR with its types of CSR through economic, ethical, legal, and philanthropic purpose responsibilities.

- 1. Identify one primary and one secondary stakeholder that influence Paradigm Toys.**

In this section discussions will be made on defining primary and secondary stakeholders. Primary stakeholders are groups of individuals the corporation has a formal contractual relationship such as consumers, employees, investors, suppliers and vendors, and governments. On the other hand, the secondary stakeholders are group or individuals the corporate has an obligation but not formal contractual such as local communities, activist groups, competitors, trade unions, media groups, and public. In the case of Paradigm Toys this paper will address primary stakeholder as the consumer and secondary stakeholder the local communities.

2. Analyze how Paradigm Toys can meet their CSR for the primary and secondary stakeholders identified in part A1.

How are the needs of the primary and secondary stakeholders addressed by the board of directors of Paradigm Toys? The primary stakeholders the consumer needs in which the board of directors should address the toy design, its materials, production, quality control, packaging/labeling, warnings, and notifications on recalls. The board of directors should be concerned for product safety in terms of quality of the Paradigm Toys for the consumer. In term board of directors should factor in the long-term consequences of a decision in preventing harm in ethical decision making. Toy safety should always be in Paradigm's highest priority as their mission statement states. Secondly, in term of the secondary stakeholder the community Paradigm must address the needs of the community such as the need for the corporation of producing goods or services not harmful to the community or the environment. Paradigm has a corporate social responsibility by providing quality toy plans in sustainability to the community and the environment safety. Environmental sustainability in the community occurs when natural resources are preserved. Paradigm Toys should address sustainability of the economy, society, and the environment in relationship to principles of profit, people, and the planet.

B. Reflect on the importance of ethical leadership by doing the following:

1. Explain why it is important for an organization to develop an ethical culture.

Why is it important for an organization to develop an ethical culture? (Trevino, 2017, p.167) “executives must also act as “moral managers”- they must focus on the “leadership” part of the firm’s ethical culture. They do that by conveying the importance of ethical conduct in a variety of ways...(Trevino, 2017, p.176) “its importance in culture and how it guides ethical conduct in the organization...importance of hiring people who fit the culture...Those values-probably concerning the importance of people, integrity, diversity, customer service, and so forth- need to be translated into borrower metrics that every employee is held accountable for.” Therefore, the importance of ethical culture relies upon ethical leadership conveying the message of ethical conduct, the hiring of people, and values of the people with the organization in which those people are held accountable for their ethical actions.

a. Discuss the role that Paradigm Toys’ leadership can play in fostering an ethical culture.

What is some ways Paradigm’s top management fostering an ethical culture? (Trevino, 2017, p. 158) “The formal rules, and policies, norms of daily behavior, physical settings, modes of dress, special language, myths, rituals, heroes, and stories...organizational system.” Paradigm Toys top management through formal systems can foster an ethical culture through the following: executive leadership by communicating supporting relevant formal policies especially company vision enhanced by culture’s values, in selection system for a formal system in place for recruiting new employees with good reputation, third incorporating values and mission statements for executives setting up procedures to ensure the mission is carried out with policies and codes with people being held accountable, fourth the necessary policies and codes which

provide guidance about behavior, and lastly the fifth way Paradigm can foster an ethical culture through orientation and training programs which foster socialization and ethics training accordingly to the required U.S. Sentencing Guidelines and Sarbanes-Oxley Act for compliances in the industry.

2. Explain the purpose of an ethics audit.

What is the ethics audit? An ethical audit is primarily an inspection or examination of processes or systems ensuring compliance with ethics relations requirements; therefore, audit would review policies and procedures governing organizational compliance to detect potential opportunities for non-compliance, weak processes, or else poor-quality performance. Example of ethical audit would be alignment of goals and rewards with the organizational values regarding deficient performance against stated ethical goals addressed fairly.

a. Discuss the value that an ethics audit could bring to Paradigm Toys.

What is Paradigm's reflection on the value of an ethics audit? Reflections of the ethics audit comes in several ways. First, reflecting Paradigm's values of how values are relative to the importance of people, integrity, diversity, and customer service. Second, in an ethics audit can reveal promotion and comparison decision because a particular employee may not be getting a raise or promotion. Third, ethics audits can reflect on the value of decision-making process where reflective alignment of goals and rewards with organizational values. And lastly the fourth ethics audit for Paradigm Toys reveal role models for such employees displaying model behavior of the highest integrity.

C. Develop the ethical framework that you would use if you were faced with an ethical dilemma by doing the following:

1. Identify and analyze an ethical dilemma in a business setting.

What are some ethical dilemma witnesses or heard of in a business setting? Then choose one ethical dilemma to evaluate. There are several ethical dilemmas I have witnessed in a business setting. First ethical dilemma I witnessed was sexual harassment in which a co-worker reveals to me that our boss is sexually harassing her by his touching her inappropriately; yet she tells me to keep quiet. The second ethical dilemma I have witnessed co-worker coming in 40 minutes late who tells me not to say anything to the boss, yet the boss had asked me what time the co-worker came in to work. The third ethical dilemma was that the owner of company bought his girlfriend a fur coat and he wanted me to put the fur coat as an expense to company which is a trucking business. In this scenario, I will focus on the company expense of the fur coat for the ethical dilemma.

2. Evaluate two potential solutions to the ethical dilemma identified in part C1.

The ethical dilemma of reporting a luxury item like a fur coat as an expense to a trucking company would be material misstatement misrepresentation of fact of expense item which reflects material misinformation upon the financial statements of a corporation organization. There are two viable solutions to ethical dilemma of misstatement on expense. First, communication would be important of holding a meeting between the owner, my immediate supervisor who is a CPA, and myself addressing the issue of expensing a luxury item fur coat. The negative impact would be the owner is mad because the luxury item fur coat is for his girlfriend and does not want his wife to know about the expense. The positive side of the ethical dilemma of the fur coat my immediate supervisor who is a CPA knows that I am right in not trying to expense the item of the fur coat. The second solution is not to expense out the fur coat on the books. The negative import of this action on not putting the fur coat on the books by the direction of the owner in which he wants to disguise as another type of expense other than the fur

coat. The positive impact of the ethical dilemma is that I am following my gut ethical values implementing that this unethical action is very wrong.

3. Explain which solution from part C2 you believe is the more ethical choice.

I choose not to report the fur coat as an expense on the accounting books of a trucking company. I would justify my ethical dilemma based on the Sarbanes-Oxley Act in which such an ethical dilemma of misrepresentation of material facts of the financial statements of the corporation. Second, I would base my decision of not reporting the luxury item on the accounting books justified by the U.S. Sentencing Guidelines; for example, if I did expense the item the item would not comply to guidelines because of the unethical behavior on my part.

D. Create a proposal for implementing an ethics training program at Paradigm Toys by doing the following:

1. Identify three key topics that you would cover in your ethics training program.

What elements make up successful and effective ethics training program? To answer this an ethics training should be designed to teach employees on decision-making in situations of ethical component in which situations in decisions, behaviors, or outcomes could be evaluated as right or wrong, or else good versus bad by the employee. The primary objective of the ethical training is to “enable employees to identify and deal with ethical problems developing their moral intuitions which are implicit in everyday choices and actions.” (Saconi, 2002) The Paradigm employees’ ethical training should include three topics for company code of ethics, ethical conduct – both in and out the office, and third regulatory and compliance training.

a. Explain why you would include the three topics from part D1 in your training program.

Explanation of why I choose the three topics of code of ethics, ethical conduct – both in and out of the office, and regulatory and compliance training at Paradigm Toys. Code of ethics was

chosen for training program for the fundamental principles of integrity, objectivity, due care, confidentiality, and professional behavior in the workplace. In training it is emphasized that violations to code of ethics could result in sanctions or termination of an employee's job. The second topic of ethical conduct – both in and out of the office relate to the individual factors such as knowledge, values, personal goals, morals, and personality. In relationship to being out of the office due to social factors, such cultural norms, friends, and family being involved in situational opportunities can provide an unethical employee with personal freedom of choice which can lead to unethical decision. Likewise, an employee in the office situation should be ethically positive, honest, and thus driven by principles of fairness and decency in the workplace; therefore, increases the overall morale and enhances the performance of Paradigm Toys' employees. The third topic to be covered in the ethical training at Paradigm Toys should be regulatory and compliance training. The regulatory and compliance training should emphasize due diligence and compliance standards which help prevent criminal conduct. The objective to regulatory and compliance training to train the employee to exercise due care with communicating compliance standards and procedures.

2. Recommend a delivery method and justify why you believe it would be the most effective for the training program.

What are some of the delivery methods I think might be effective for an ethics training program at Paradigm Toys? Some of the most effective employee training methods are the following: eLearning, role playing, coaching, group activities, and video training. For Paradigm Toys ethics training program, I would choose the delivery method of employee training in role playing. Role playing is a technique requiring employee participants to perform a task in a realistic simulation which has effective means to take in and absorb the content and substance of

innovative ideas. For example, in role playing training would address ethical dilemma where employees likely to encounter with an advantage which is social and communal social activity simulation. Another advantage of role-playing method in ethical training prepares employees for real life situations which indicates current skill level of recognizing ethical and unethical behavior in the workplace.

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