

Management

tenth edition

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Chapter

5

Social
Responsibility and
Managerial Ethics

Learning Outcomes

Follow this Learning Outline as you read and study this chapter.

- 5.1 What Is Social Responsibility?
 - Differentiate between social obligation, social responsiveness and social responsibility.
 - Discuss whether organizations should be socially involved.
 - Describe what conclusion can be reached regarding social involvement and economic importance.

Learning Outcomes

5.2 Green Management.

- Define green management.
- Describe how organizations can go green.
- Explain how green management can be evaluated.

5.3 Managers And Ethical Behavior

- Define ethics.
- Discuss the factors that influence whether a person behave ethically or unethically.
- Describe what managers need to know about international ethics.

Learning Outcomes

5.4 Encouraging Ethical Behavior

- Describe manager's important role in encouraging ethical behavior.
- Discuss specific ways managers can encourage ethical behavior.

5.5 Social Responsibility And Ethics Issues In Today's World.

- Discuss how managers can manage ethical lapses and social responsibility.
- Explain the role of social entrepreneurs.
- Discuss how businesses can promote positive social change.

Learning Outcomes

5.5 Social Responsibility Issues In Today's World.

- Discuss how managers and organizations can protect employees who raise ethical issues or concerns.
- Explain what role social entrepreneurs play.
- Discuss how businesses can promote positive social change.

From Obligation to Responsiveness to Responsibility

- **Social Obligation**

- The obligation of a business to meet its economic and legal responsibilities and nothing more.

- **Social Responsiveness**

- When a firm engages in social actions in response to some popular social need.

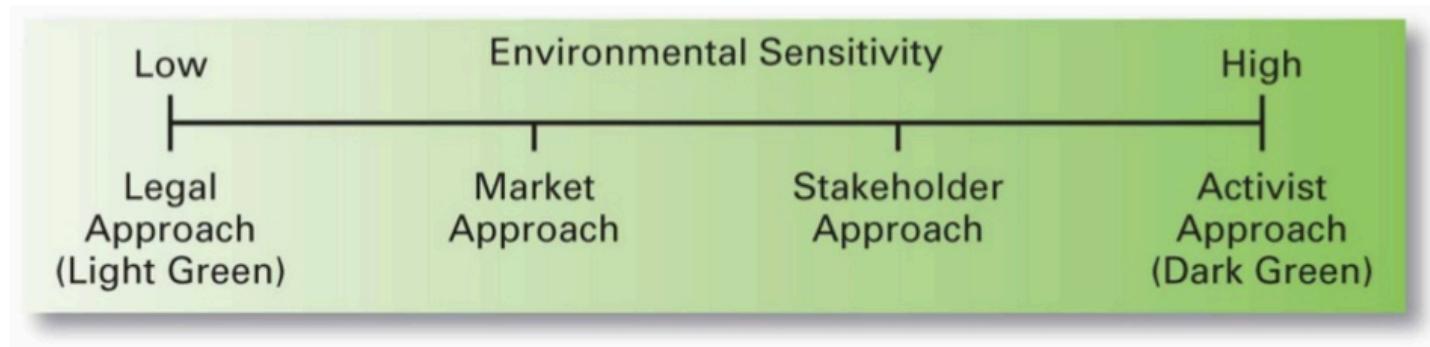
- **Social Responsibility**

- A business's intention, beyond its legal and economic obligations, to do the right things and act in ways that are good for society.

How Organizations Go Green

- **Legal (or Light Green) Approach**
 - Firms simply do what is legally required by obeying laws, rules, and regulations willingly and without legal challenge.
- **Market Approach**
 - Firms respond to the preferences of their customers for environmentally friendly products.
- **Stakeholder Approach**
 - Firms work to meet the environmental demands of multiple stakeholders—employees, suppliers, and the community.
- **Activist Approach**
 - Firms look for ways to respect and preserve environment and be actively socially responsible.

Exhibit 5–4 Green Approaches



Source: Based on R.E. Freeman, J. Pierce, and R. Dodd. *Shades of Green: Business Ethics and the Environment* (New York: Oxford University Press, 1995).

Evaluating the Greening of Management

- Organizations become “greener” by
 - Using the Sustainability Reporting Guidelines to document “green” actions.
 - Adopting ISO 14000 standards for environmental management.
 - Being named as one of the 100 Most Sustainable Corporations in the World.

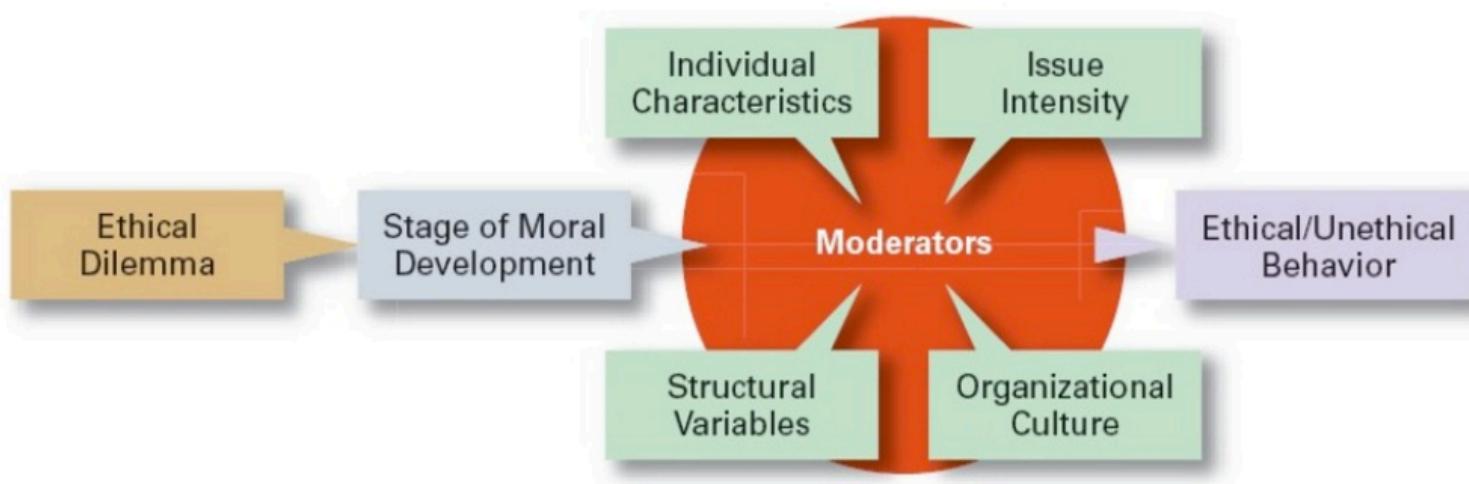


Managerial Ethics

Ethics Defined

- Principles, values, and beliefs that define what is right and wrong behavior.

Exhibit 5–5 Factors That Determine Ethical and Unethical Behavior



Factors That Affect Employee Ethics

- **Moral Development**

- A measure of independence from outside influences
 - ❖ Levels of Individual Moral Development
 - Preconventional level
 - Conventional level
 - Principled level
- Stage of moral development interacts with:
 - ❖ Individual characteristics
 - ❖ The organization's structural design
 - ❖ The organization's culture
 - ❖ The intensity of the ethical issue

Exhibit 5–6 Stages of Moral Development

| Level | Description of Stage |
|-----------------|---|
| Principled | 6. Following self-chosen ethical principles even if they violate the law 5. Valuing rights of others and upholding absolute values and rights regardless of the majority's opinion |
| Conventional | 4. Maintaining conventional order by fulfilling obligations to which you have agreed 3. Living up to what is expected by people close to you |
| Preconventional | 2. Following rules only when doing so is in your immediate interest 1. Sticking to rules to avoid physical punishment |

Source: Based on L. Kohlberg, "Moral Stages and Moralization: The Cognitive-Development Approach," in T. Lickona (ed.). *Moral Development and Behavior: Theory, Research, and Social Issues* (New York: Holt, Rinehart & Winston, 1976), pp. 34–35.

Factors That Affect Employee Ethics

- **Moral Development**

- Research Conclusions:

- ❖ People proceed through the stages of moral development sequentially.
 - ❖ There is no guarantee of continued moral development.
 - ❖ Most adults are in Stage 4 (“good corporate citizen”).

Factors That Affect Employee Ethics

Individual Characteristics

- Values
 - ❖ Basic convictions about what is right or wrong.
- Personality
 - ❖ Ego strength - A personality measure of the strength of a person's convictions
 - ❖ Locus of Control
 - A personality attribute that measures the degree to which people believe they control their own life.
 - **Internal locus:** the belief that you control your destiny.
 - **External locus:** the belief that what happens to you is due to luck or chance.

Factors That Affect Employee Ethics

- **Structural Variables**

- Organizational characteristics and mechanisms that guide and influence individual ethics:
 - ❖ Performance appraisal systems
 - ❖ Reward allocation systems
 - ❖ Behaviors (ethical) of managers

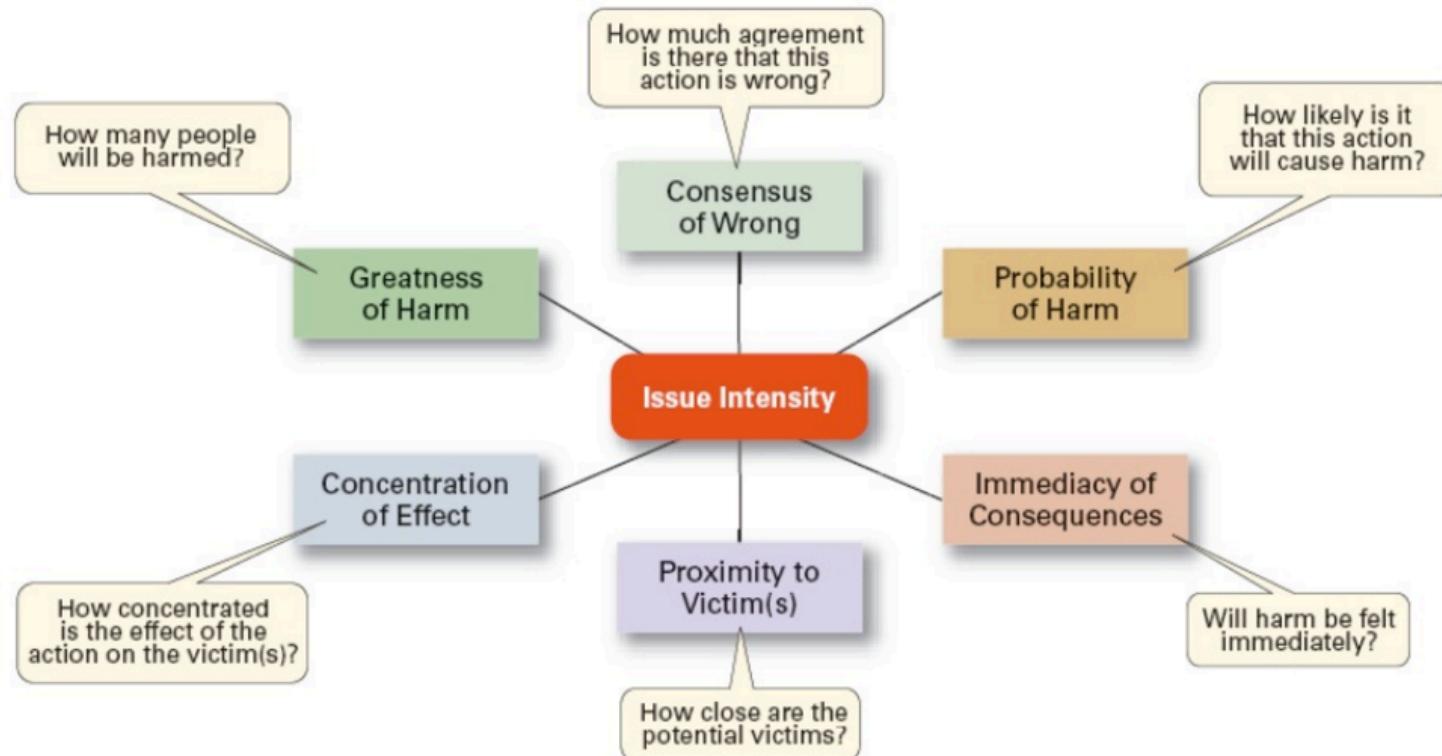
Factors That Affect Employee Ethics

- **Organization's Culture**

- Values-Based Management
 - ❖ An approach to managing in which managers establish and uphold an organization's shared values.
- The Purposes of Shared Values
 - ❖ Guiding managerial decisions
 - ❖ Shaping employee behavior
 - ❖ Influencing the direction of marketing efforts
 - ❖ Building team spirit
- The Bottom Line on Shared Corporate Values
 - ❖ An organization's values are reflected in the decisions and actions of its employees.

- **Intensity of the Ethical Issue**

Exhibit 5–7 Determinants of Issue Intensity



Ethics in an International Context

- Ethical standards are not universal.
 - Social and cultural differences determine acceptable behaviors.
- Foreign Corrupt Practices Act
 - Makes it illegal to corrupt a foreign official, yet “token” payments to officials are permissible when doing so is an accepted practice in that country.
- The Global Compact

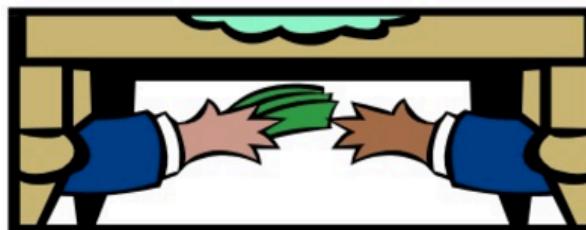


Exhibit 5–8 Ten Principles of the United Nations

Human Rights

Principle 1: Support and respect the protection of international human rights within their sphere of influence.

Principle 2: Make sure business corporations are not complicit in human rights abuses.

Labor Standards

Principle 3: Freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: The elimination of all forms of forced and compulsory labor.

Principle 5: The effective abolition of child labor.

Principle 6: The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Support a precautionary approach to environmental challenges.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Source: Courtesy of Global Compact.

How Managers Can Improve Ethical Behavior in An Organization

1. Hire individuals with high ethical standards.
2. Establish codes of ethics and decision rules.
3. Lead by example.
4. Set realistic job goals and include ethics in performance appraisals.
5. Provide ethics training.
6. Conduct independent social audits.
7. Provide support for individuals facing ethical dilemmas.

Exhibit 5–9 Codes of Ethics

Cluster 1. Be a Dependable Organizational Citizen

1. Comply with safety, health, and security regulations.
2. Demonstrate courtesy, respect, honesty, and fairness.
3. Illegal drugs and alcohol at work are prohibited.
4. Manage personal finances well.
5. Exhibit good attendance and punctuality.
6. Follow directives of supervisors.
7. Do not use abusive language.
8. Dress in business attire.
9. Firearms at work are prohibited.

Cluster 2. Do Not Do Anything Unlawful or Improper That Will Harm the Organization

1. Conduct business in compliance with all laws.
2. Payments for unlawful purposes are prohibited.
3. Bribes are prohibited.
4. Avoid outside activities that impair duties.
5. Maintain confidentiality of records.
6. Comply with all antitrust and trade regulations.
7. Comply with all accounting rules and controls.
8. Do not use company property for personal benefit.
9. Employees are personally accountable for company funds.
10. Do not propagate false or misleading information.
11. Make decisions without regard for personal gain.

Cluster 3. Be Good to Customers

1. Convey true claims in product advertisements.
2. Perform assigned duties to the best of your ability.
3. Provide products and services of the highest quality.

Source: F. R. David, "An Empirical Study of Codes of Business Ethics: A Strategic Perspective," paper presented at the 48th Annual Academy of Management Conference, Anaheim, California, August 1988.

Effective Use of a Code of Ethics

- Develop a code of ethics as a guide in handling ethical dilemmas in decision making.
- Communicate the code regularly to all employees.
- Have all levels of management continually reaffirm the importance of the ethics code and the organization's commitment to the code.
- Publicly reprimand and consistently discipline those who break the code.

Exhibit 5–10 Twelve Questions Approach

1. Have you defined the problem accurately?
2. How would you define the problem if you stood on the other side of the fence?
3. How did this situation occur in the first place?
4. To whom and to what do you give your loyalty as a person and as a member of the corporation?
5. What is your intention in making this decision?
6. How does this intention compare with the probable results?
7. Whom could your decision or action injure?
8. Can you discuss the problem with the affected parties before you make the decision?
9. Are you confident that your position will be as valid over a long period of time as it seems now?
10. Could you disclose without qualm your decision or action to your boss, your chief executive officer, the board of directors, your family, society as a whole?
11. What is the symbolic potential of your action if understood? If misunderstood?
12. Under what conditions would you allow exceptions to your stand?

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The Value of Ethics Training

- Can make a difference in ethical behaviors.
- Increases employee awareness of ethical issues in business decisions.
- Clarifies and reinforces the organization's standards of conduct.
- Helps employees become more confident that they will have the organization's support when taking unpopular but ethically correct stances.

Exhibit 5–11 Being an Ethical Leader

- Be a good role model by being ethical and honest.
 - Tell the truth always.
 - Don't hide or manipulate information
 - Be willing to admit your failures.
- Share your personal values by regularly communicating them to employees.
- Stress the organization's or team's important shared values.
- Use the reward system to hold everyone accountable to the values.

Managing Ethical Lapses and Social Irresponsibility

- Provide ethical leadership
- Protect employees who raise ethical issues (whistle-blowers)

Awareness of Social Issues

Start Business and is willing to take risk in order to make money.

- **Social Entrepreneurs**

- Are individuals or organizations who seek out opportunities to improve society by using practical, innovative, and sustainable approaches.
- Want to make the world a better place and have a driving passion to make that happen.



Businesses Promoting Positive Social Change

- **Corporate Philanthropy**
 - Campaigns
 - Donations
 - Funding own foundations
- **Employee Volunteering Efforts**
 - Team volunteering
 - Individual volunteering during work hours

Terms to Know

- classical view
- socioeconomic view
- social obligation
- social responsiveness
- social responsibility
- social screening
- greening of management
- values-based management
- ethics
- values
- ego strength
- locus of control
- code of ethics
- whistle-blower
- social entrepreneur