

# Introduction to **Management**

## **Lecture 4**



**Dr. Hagar Adib & Dr. Menatallah Darrag**

## **Chapter 5: Social Responsibility and Managerial Ethics**

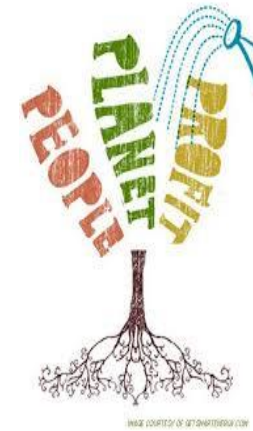
# Learning Objectives

- Understand what is meant by Corporate Social Responsibility
- Describe what is meant by green management
- Discuss what is ethical behavior and how to encourage it
- Describe ethics and CSR in the Arab Region

# What Is Social Responsibility?

Managers regularly face decisions that have a **dimension of social responsibility**, such as those involving:

- Employee relations
- Pricing
- Resource conservation
- Product quality and safety
- Doing business in countries that devalue human rights



# What Is Social Responsibility?

Classical View of  
Social responsibility

Social Obligation

Socioeconomic View of  
Social responsibility

Social Responsiveness

Social Responsibility

# From Obligation to Responsiveness to Responsibility



# Views of Social Responsibility

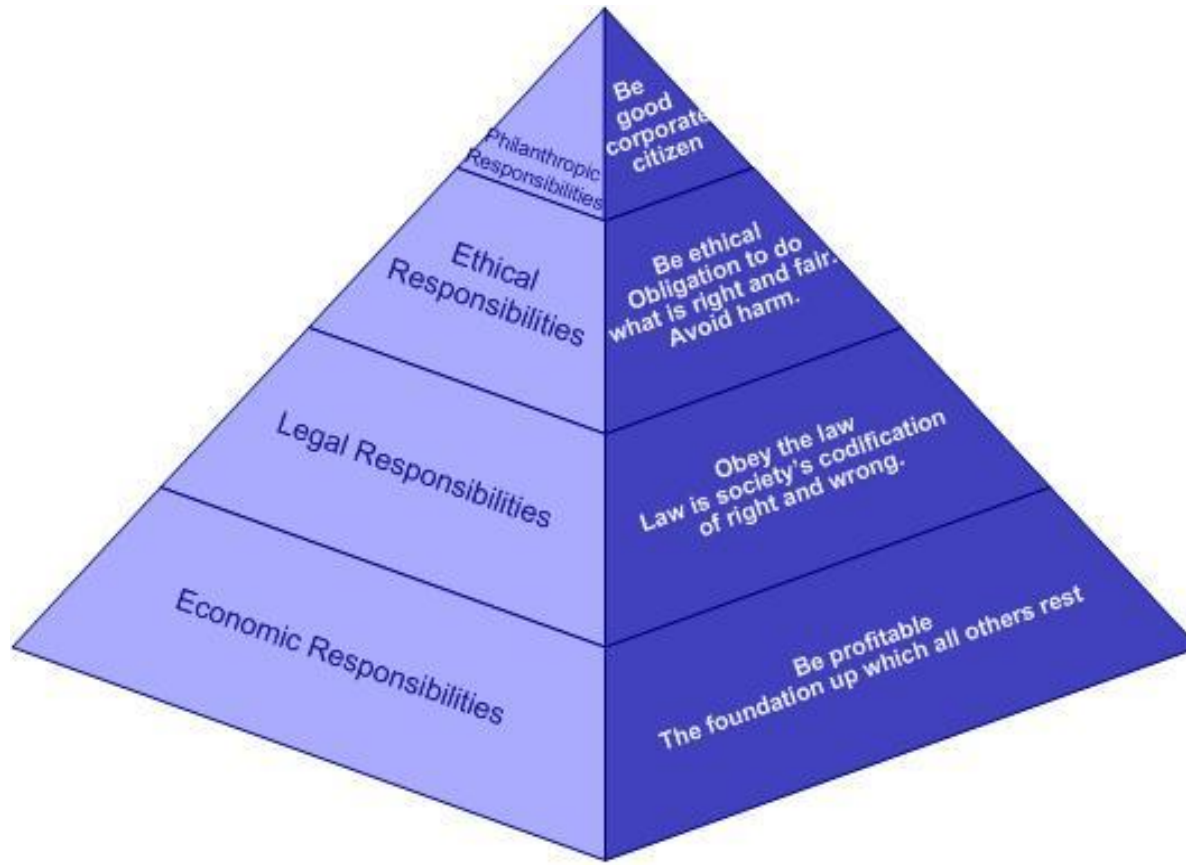
## The Classical View

- Management's only social responsibility is to **maximize profits** (create a financial return) by operating the business in the best interests of the stockholders (owners of the corporation)
- Expending the firm's resources on doing **"social good"** unjustifiably increases costs that lower profits to the owners and raises prices to consumers

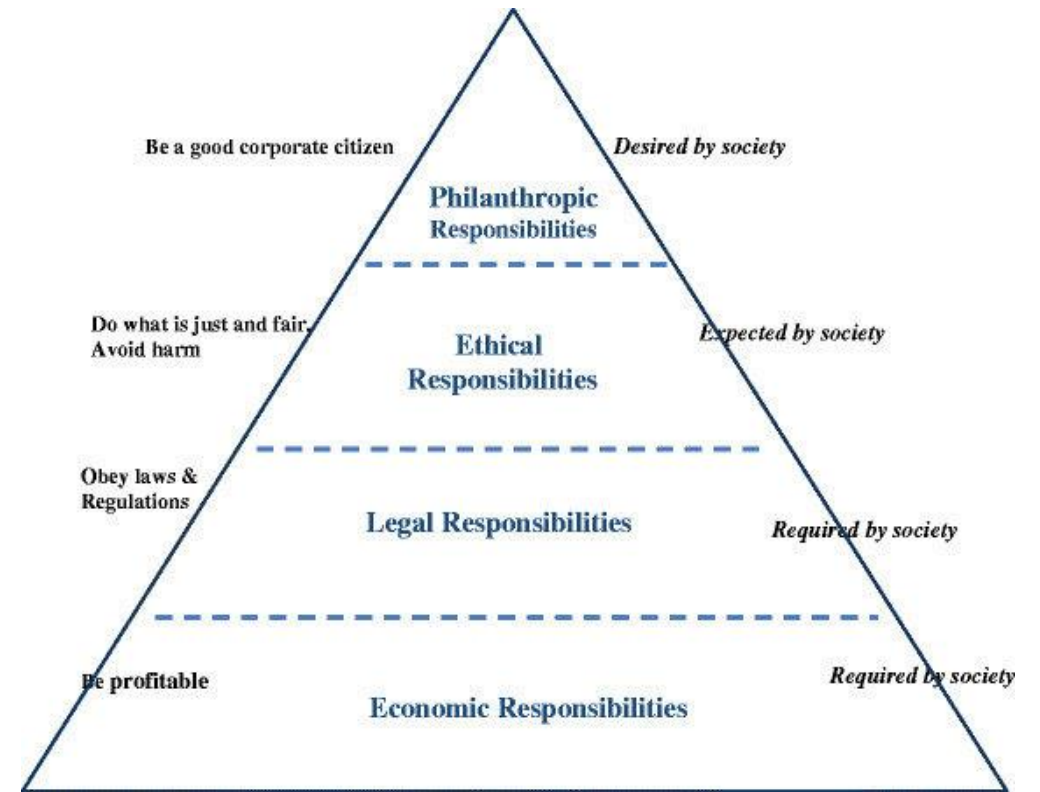
## The Socioeconomic View

- Management's social responsibility goes **beyond making profits** to include protecting and improving society's welfare
- Corporations are not independent entities responsible only to stockholders
- Firms have a **moral responsibility** to larger society to become involved in social, legal, and political issues
- **"To do the right thing."**





Carroll's CSR Pyramid



Carroll's CSR model (1991)



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## Exhibit 5–2

## Arguments For and Against Social Responsibility

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### For

- Public expectations
- Long-run profits
- Ethical obligation
- Public image
- Better environment
- Discouragement of further governmental regulation
- Balance of responsibility and power
- Stockholder interests
- Possession of resources
- Superiority of prevention over cures

### Against

- Violation of profit maximization
- Dilution of purpose
- Costs
- Lack of skills
- Lack of accountability

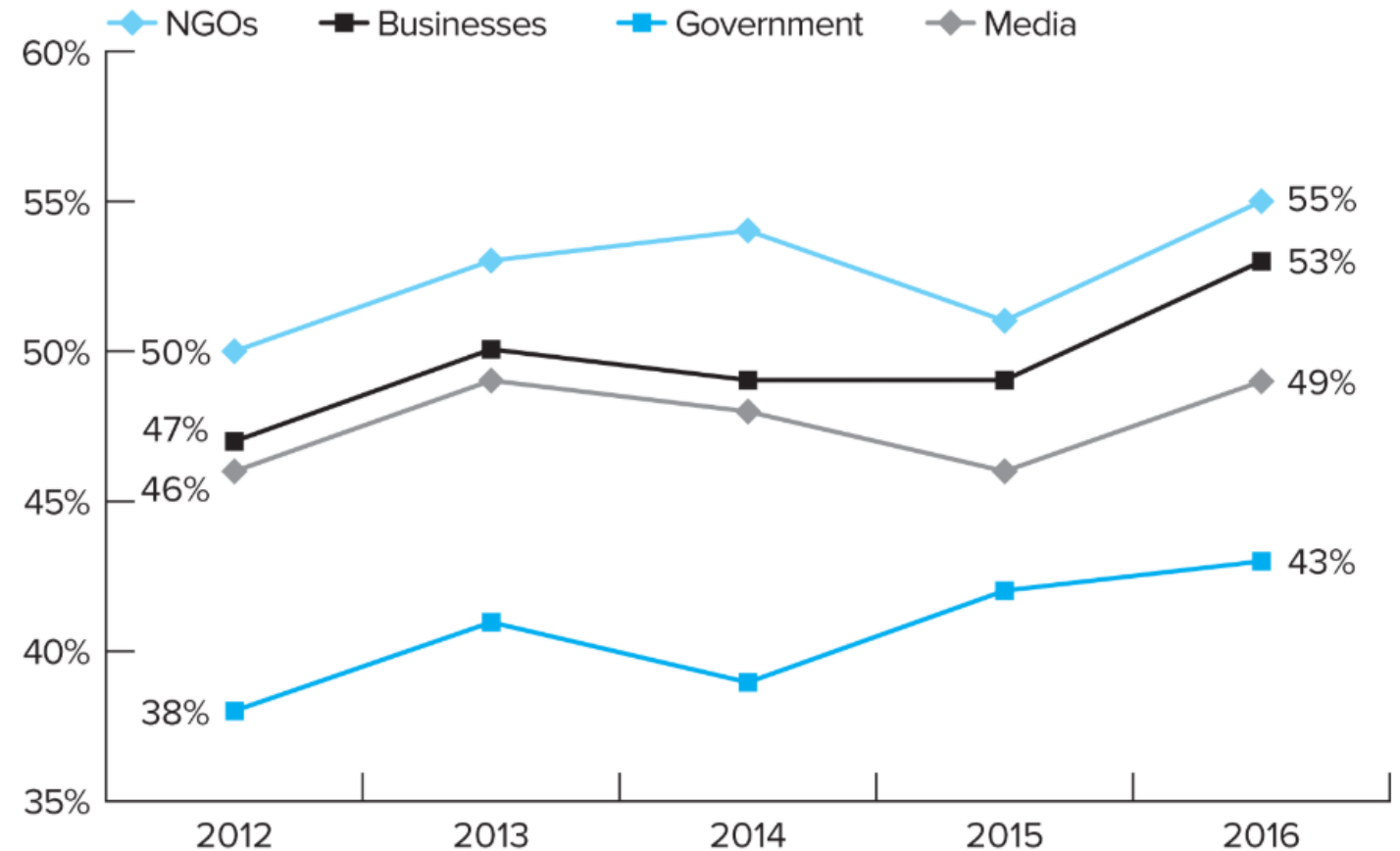
# Does Social Responsibility Pay?

- Studies appear to show a **positive** relationship between social involvement and the economic performance of firms
  - Difficulties in defining and measuring “social responsibility” and “economic performance” raise issues of validity and causation in the studies
- A general conclusion is that **a firm’s social actions do not harm its long-term performance**



# Corporate Social Responsibility and Trust

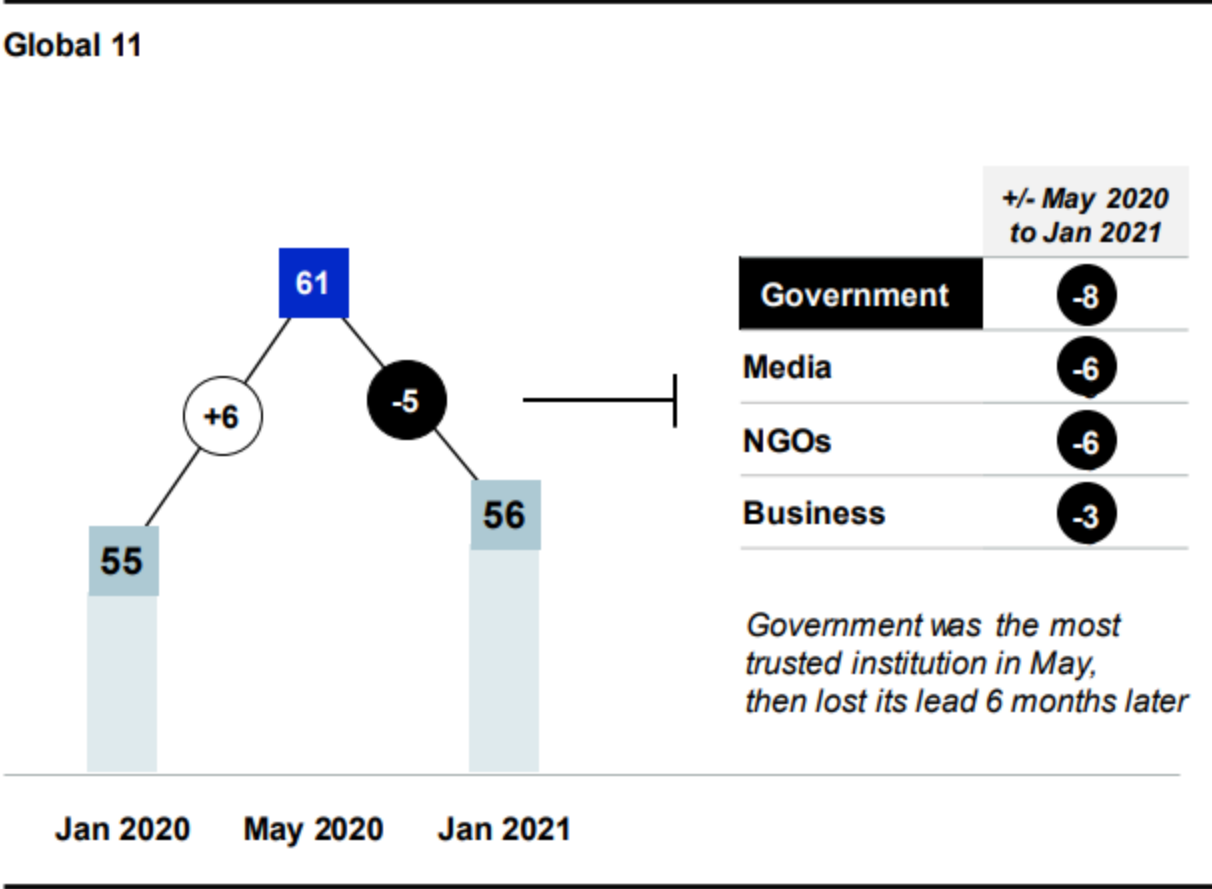
- The increased CSR efforts by businesses appear to be effective in increasing public opinion; more than 50 percent of global respondents to a recent Edelman survey expressed trust in business and government in 2016, reaching a record high



Source: Original graphic by Ben Littell under supervision of Professor Jonathan Doh based on data from 2016 *Edelman Trust Barometer*, [www.edelman.com/insights/intellectual-property/2016-edelman-trust-barometer/](http://www.edelman.com/insights/intellectual-property/2016-edelman-trust-barometer/).

# SPRING TRUST BUBBLE BURSTS; BIGGEST LOSS FOR GOVERNMENT

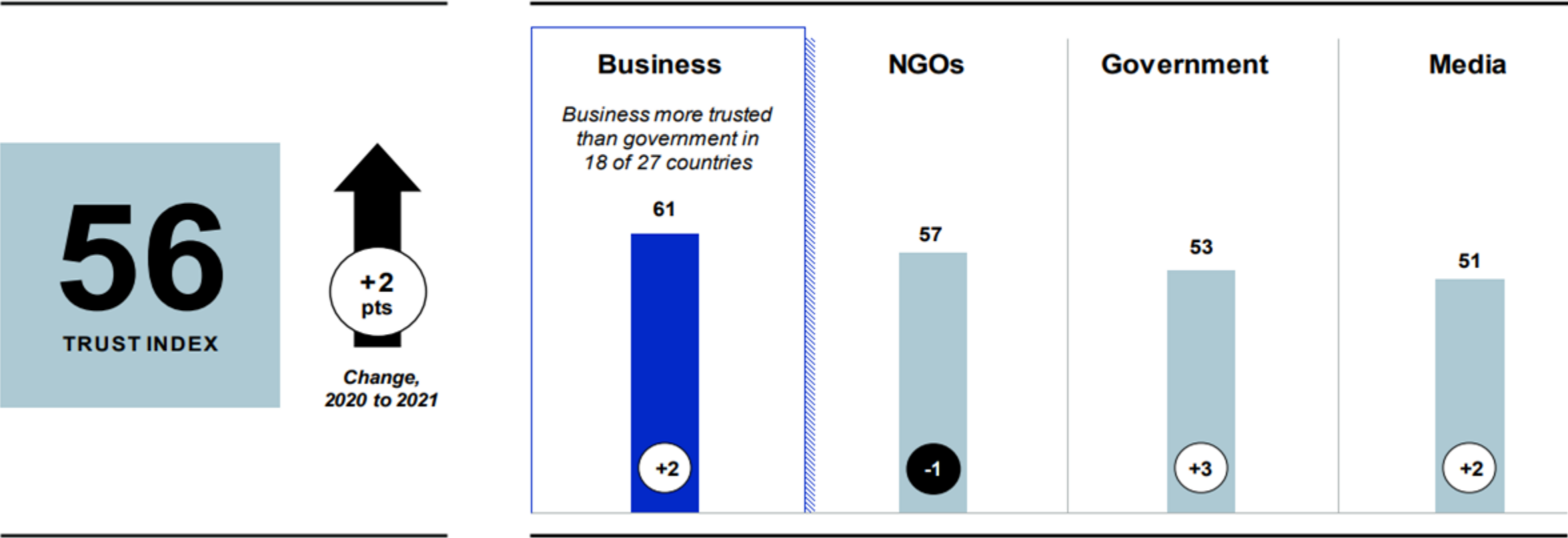
Trust Index, 11 countries included in the 2020 Trust Barometer Spring Update



Government	+/- Jan 2020 to May 2020	+/- May 2020 to Jan 2021
S. Korea	+16	-17
UK	+24	-15
China	+5	-13
Mexico	+12	-12
Canada	+20	-11
India	+6	-8
U.S.	+9	-6
Germany	+19	-5
Japan	-5	-1
Saudi Arabia	+5	-1
France	+13	+2

# BUSINESS BECOMES ONLY TRUSTED INSTITUTION

Percent trust



# Top 20 Corporate Social Responsibility Initiatives of 2018

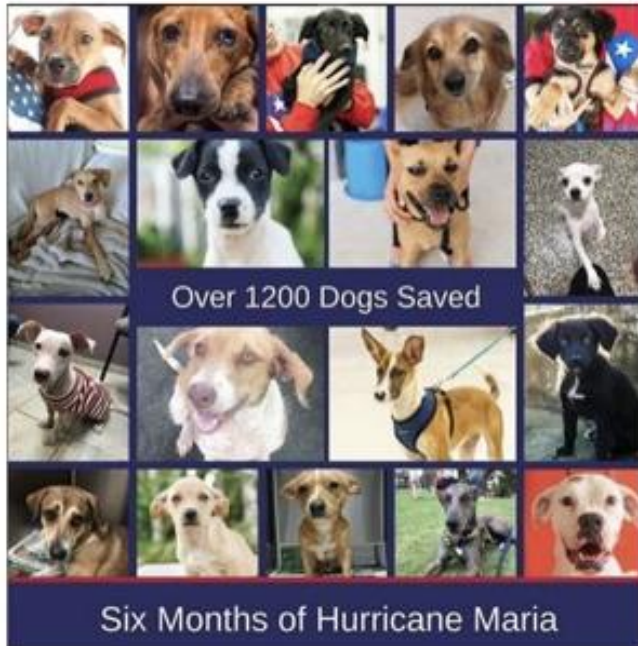
1. Marc Jacobs	11. Coca-Cola
2. Indigo.ca	12. Twitter
3. IKEA	13. Adidas
4. Abercrombie & Fitch	14. Alaska Airlines
5. Equinox	15. Levi's
6. Bosch	16. GE
7. LinkedIn	17. Salesforce
8. Ben & Jerry's	18. BMW
9. Starbucks	19. Dell
10. Apple	20. Walt Disney Co.





## 1. Marc Jacobs

This iconic fashion label partners with [SATO](#), a charity dedicated to rescuing abandoned dogs in Puerto Rico and placing them in loving homes. In the aftermath of Hurricane Maria, SATO was able rescue over one thousand homeless pups!



## 2. Indigo.ca

## 9. Starbucks

The company whose name has become synonymous with the hallowed caffeine fix, started the [Starbucks Foundation](#) in 1997, as a literacy campaign in Canada and the US, and has now gone global, supporting causes from sourcing to service.

For example: an initiative on the supply level to provide a million coffee trees to farmers as a partner in Conservation International's [Sustainable Coffee Challenge](#). While in stores, the company plans to [hire 10,000 refugees](#) across 75 countries in the next five years, plus [25,000 veterans](#) by 2025.



## 11. Coca-Cola

The beverage behemoth founded its charitable arm, the [Coca-Cola Foundation](#), in 1984, and since then has donated more than \$820 million to causes prioritizing women's empowerment, access to clean drinking water, and the development of disadvantaged youth. Each year, the company aims to give back one percent of its profits to communities around the world, and encourages employee donations through a matching gifts program. In 2017, Coke gave \$250,000 to the [American Indian College Fund](#) for scholarships and community building for young Native Americans.



# The Greening of Management

- The recognition of the close link between an organization's decision and activities and its impact on the **natural** environment.
- **Global environmental problems facing managers:**
  - Air, water, and soil pollution from toxic wastes
  - Global warming from greenhouse gas emissions
  - Natural resource depletion





# How Organizations Go Green?

## 1. Legal (or Light Green) Approach

- Firms simply do what is **legally required** by obeying laws, rules, and regulations willingly and without legal challenge.



## 2. Market Approach

Firms respond to the preferences of their **customers** for environmentally friendly products

# How Organizations Go Green?

## 3. Stakeholder Approach

- Firms work to meet the environmental demands of **multiple stakeholders** – employees, suppliers, and the community.



## 4. Activist (or Dark Green) Approach

Firms look for ways to **respect and preserve the environment** and be actively socially responsible.



### Example:

- ↳ **Masafi** = e-friendly oxo-biodegradable plastic
- ↳ **Aramex**: plastic deliveries packages to biodegradable plastic / low emission vehicles

## Exhibit 5-3 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).

## 1. McDonald's

McDonald's as one of the world's largest food stores is taking the lead in **going green** by incorporating the outcomes of fast foods on people's health while reducing their overall energy consumption. Particularly, the company uses **energy-efficient appliances** thereby cutting energy wastage by 25% during in their business activities. McDonald's have also set up green parking lots by preserving them for only hybrid vehicles. The parking lots equally have permeable concrete with the capability of recharging the vehicles and cleaning ground water. Furthermore, McDonald's use considerate means to obtain their animal products so as to limit their impacts on destroying animal habitats.

## 2. Dell

Dell is a leading manufacturer of computer equipment. With an aim of limiting **environmental impacts**, Dell has promoted the safe disposal of their products by coming up with an effective and efficient recycling program. Dell allows customers to give back any Dell-branded equipment to the company for free which encourages safe disposal and reduces the overall e-waste count. The company even accepts computers, printers and monitors from other brands for safe disposal.

## 3. Google

Google has also made some tremendous efforts in going green by slashing their energy usage and supporting green energy projects. For instance, Google has constructed the world's most energy efficient data centers and continuously campaigns for the need for **energy conservation** and the use of renewable energy sources as well as clean energy products. Google has supported and funded green energy projects by buying and installing numerous windmills and **solar panels**.

<https://www.conserve-energy-future.com/top-companies-that-are-going-green.php>

# 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**, or ISO 9000 for quality management, or **ISO 26000 for social responsibility**.
- Being named as one of the 100 Most Sustainable Corporations in the World.

**Bank Audi**



# Managerial Ethics

**Ethics** are Principles, values, and beliefs that define what is right and wrong behavior.

So, what is *Being Ethical*?

Doing the right things, at the right time in the right way without being influenced with any internal or external factor.

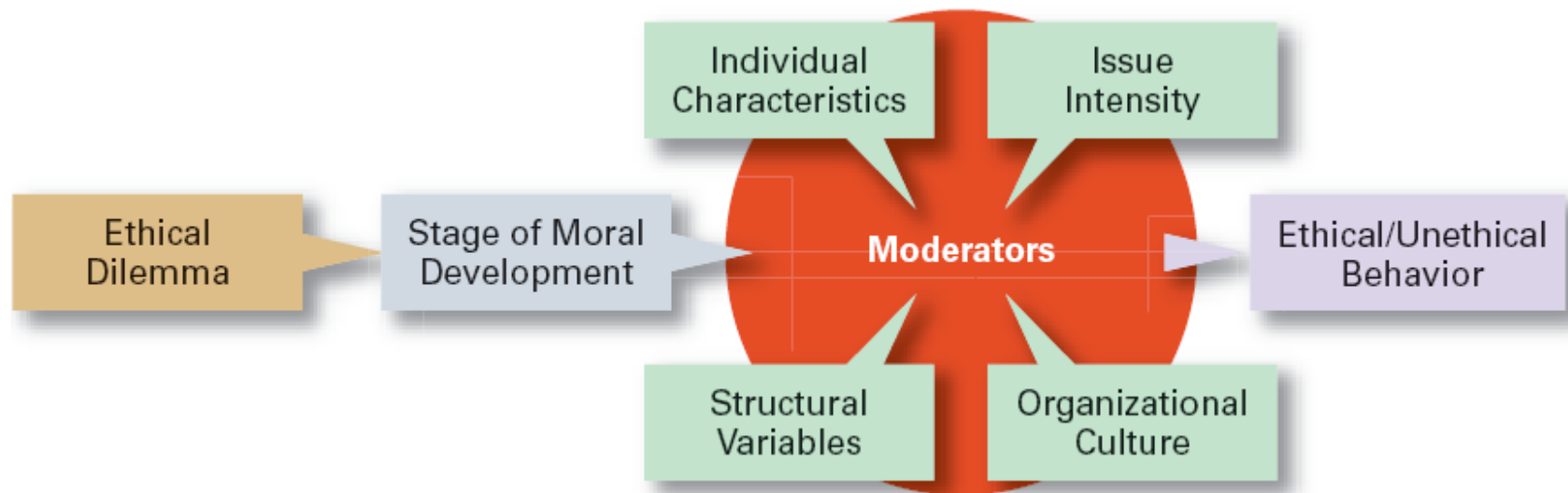
As this is not quite feasible, Ethical Dilemmas happen.



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## Exhibit 5–4 Factors That Determine Ethical and Unethical Behavior

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# Factors That Affect Employee Ethics

- **Moral Development** is a measure of independence from outside influences
- Levels of Individual Moral Development
  - Preconventional level
  - Conventional level
  - Principled level

Stages of moral development interacts with:

1. Individual characteristics
2. The organization's structural design
3. The organization's culture
4. The intensity of the ethical issue



- 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").

Exhibit 5–5 Stages of Moral Development

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

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

## 1. 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

## 2. Organizational 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

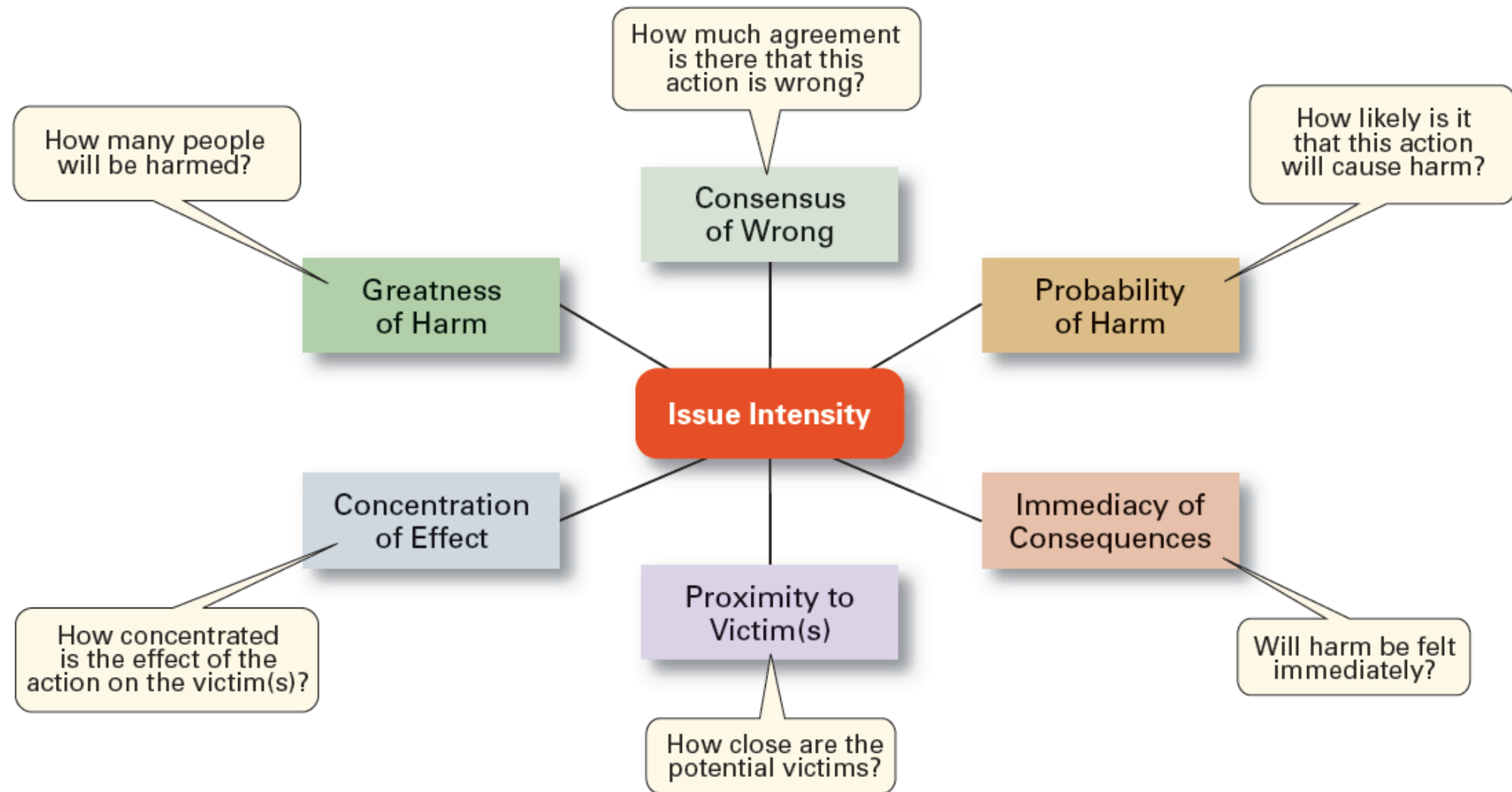
## 3. Organization's Culture

- The Bottom Line on Shared Corporate Values
  - An organization's values are reflected in the decisions and actions of its employees.

## 4. Intensity of the Ethical Issue



## Exhibit 5-6 Issue Intensity



# 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.

# Codes of Ethics

- Is a **formal statement** of an organization's values and the ethical rules it expects employees to follow.
- What should it include?
  - It should be **specific enough** to show employees the spirit in which they are supposed to do things yet **loose enough** to allow for freedom of judgment.
  - Unfortunately, the mere presence of a code of ethics does not guarantee that people will follow it.



# Codes of Ethics Sample

## 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.

## 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.



# Effective Use of a Code of Ethics

1. Model appropriate behavior and reward those who act ethically.
2. Communicate the code regularly to all employees.
3. Managers should continually reaffirm the importance of the ethics code and consistently discipline those who break it.
4. The organization's stakeholders (employees, customers, and so forth) should be considered when an ethics code is developed or improved.
5. Use the 12 questions approach

# 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 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?

# The Value of Ethics Training

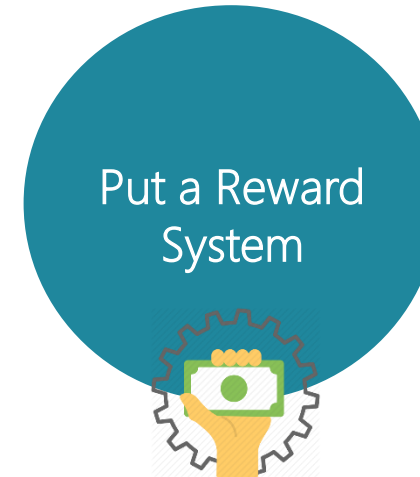
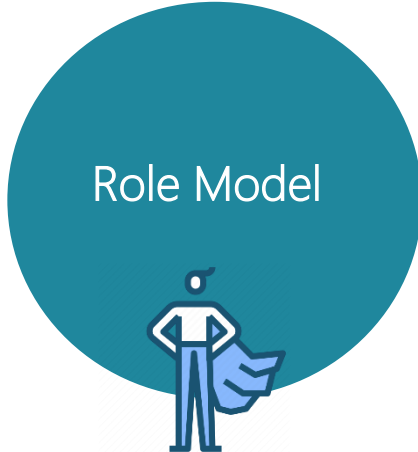
- Can make a **difference** in ethical behaviors
- Increases employee **awareness** of ethical issues in business decisions
- **Clarifies and reinforces** the organization's standards of conduct
- Helps employees become **more confident** that they will have the **organization's support** when taking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



# Managing Ethical Lapses and Social Irresponsibility

## ■ Provide ethical leadership

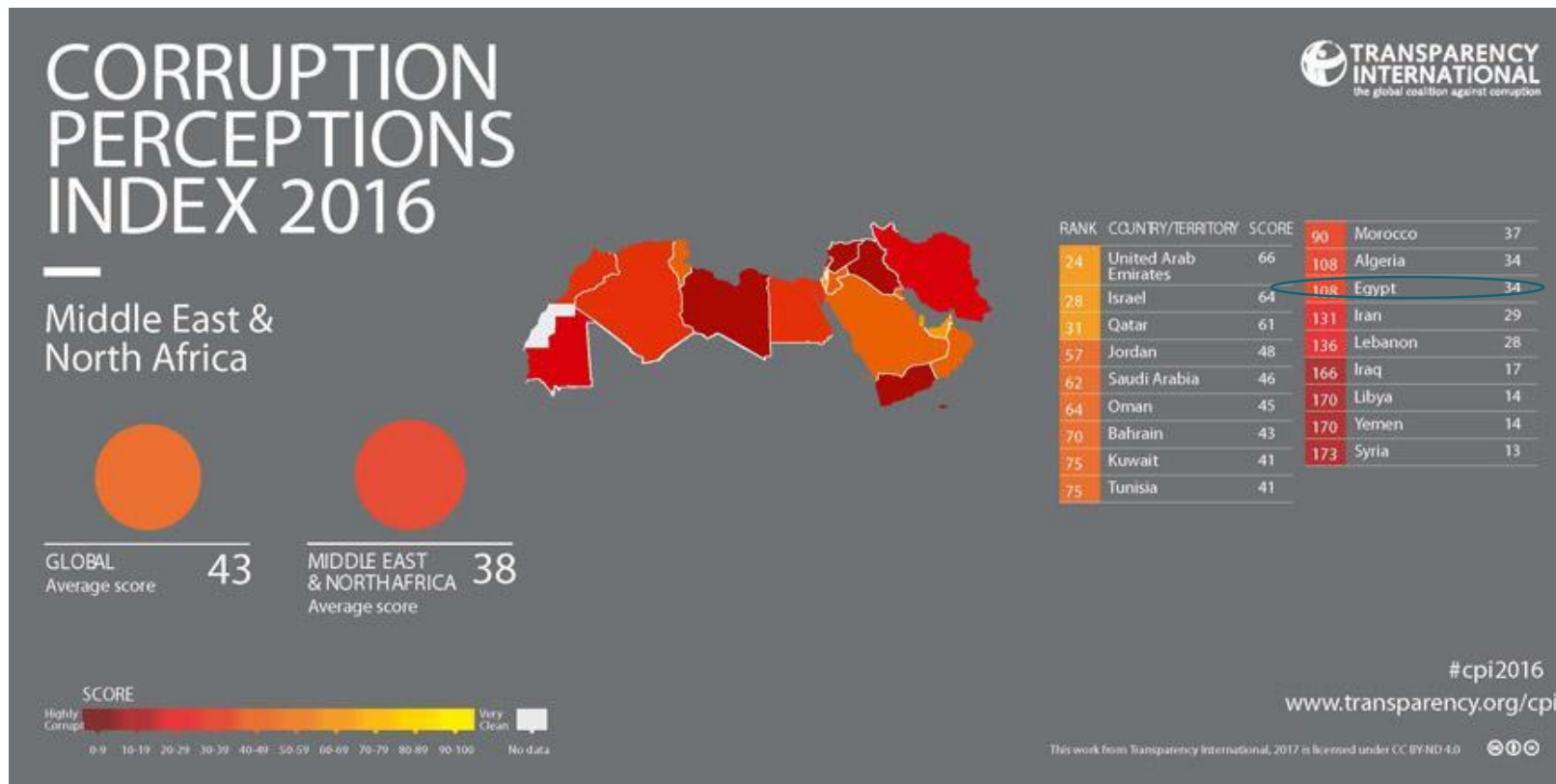
- Tell the truth always.
- Don't hide or manipulate information.
- Be willing to admit your failures.



## ■ Protect employees who raise ethical issues (whistle-blowers)

# Ethics And CSR In The Arab Region

- The **Corruption Perceptions Index (CPI)** table shows a country's ranking and score. The closer it gets to 10.0, the more transparent it is.
- Indicators for countries in the MENA region demonstrate that there is a problem of ethics or an ethics crisis in the region.



Benefits of Low Corruption

- Low corruption leads to a higher quality of life by ensuring proper use of resources.
- Economic benefits accrue because:
  - High trust reduces business contracting costs
  - Project cost risk is reduced because bribe and facilitation payments are unlikely
  - Surveys indicate that individuals and businesses will pay premium prices to trade with ethical partners



CORRUPTION PERCEPTIONS INDEX 2019

The perceived levels of public sector corruption in 180 countries/territories around the world.

SCORE COUNTRY/TERRITORY RANK

85	Singapore	4	67	Chile	26	53	Italy	51	42	Solomon Islands	77	36	Thailand	101	29	Maldives	130	25	Uzbekistan	153
87	New Zealand	1	66	Seychelles	27	53	Malaysia	51	41	Benin	80	35	Albania	106	29	Mali	130	24	Madagascar	158
86	Finland	3	65	Taiwan	28	53	Rwanda	51	41	China	80	35	Algeria	106	29	Mexico	130	24	Zimbabwe	158
85	Sweden	4	64	Bahamas	29	53	Saudi Arabia	51	41	Ghana	80	35	Brazil	106	29	Myanmar	130	23	Eritrea	160
85	Switzerland	4	62	Barbados	30	52	Mauritius	56	41	India	80	35	Cote d'Ivoire	106	29	Togo	130	22	Nicaragua	161
84	Norway	7	62	Portugal	30	52	Namibia	56	41	Morocco	80	35	Egypt	106	29	Dominican Republic	137	20	Cambodia	162
82	Netherlands	8	61	Qatar	30	52	Oman	56	40	Burkina Faso	85	35	North Macedonia	106	28	Kenya	137	20	Chad	162
80	Germany	9	62	Spain	30	50	Slovakia	59	40	Guyana	85	35	Mongolia	106	28	Lebanon	137	19	Iraq	162
80	Luxembourg	9	61	Botswana	34	48	Cuba	60	40	Indonesia	85	34	El Salvador	113	28	Liberia	137	19	Burundi	165
78	Iceland	11	60	Brunei Darussalam	35	48	Greece	60	40	Kuwait	85	34	Kazakhstan	113	28	Mauritania	137	19	Congo	165
77	Australia	12	60	Israel	35	47	Jordan	60	40	Lesotho	85	34	Nepal	113	28	Papua New Guinea	137	18	Turkmenistan	165
77	Austria	12	60	Lithuania	35	46	Croatia	63	40	Trinidad and Tobago	85	34	Philippines	113	28	Democratic Republic of the Congo	168			
77	Canada	12	59	Slovenia	35	46	Sao Tome and Principe	64	39	Serbia	91	34	Eswatini	113	28	Paraguay	137	18	Guinea Bissau	168
77	United Kingdom	12	59	Korea, South	39	46	Vanuatu	64	39	Turkey	91	34	Zambia	113	28	Russia	137	18	Haiti	168
76	Hong Kong	16	59	Saint Vincent and the Grenadines	39	45	Argentina	66	38	Ecuador	93	33	Sierra Leone	119	28	Uganda	137	18	Libya	168
75	Belgium	17	58	Cabo Verde	41	45	Montenegro	66	38	Sri Lanka	93	32	Moldova	120	26	Angola	146	17	Korea, North	172
74	Estonia	18	58	Cyprus	41	45	Senegal	66	37	Timor-Leste	93	32	Niger	120	26	Bangladesh	146	17	Afghanistan	173
74	Ireland	18	58	Poland	41	44	Hungary	70	37	Colombia	96	31	Pakistan	120	26	Guatemala	146	16	Equatorial Guinea	173
73	Japan	20	56	Costa Rica	44	44	Romania	70	37	Ethiopia	96	31	Bolivia	123	26	Honduras	146	16	Sudan	173
71	United Arab Emirates	21	56	Czech Republic	44	44	South Africa	70	37	Gambia	96	31	Gabon	123	26	Guinea	146	16	Venezuela	173
71	Uruguay	21	56	Georgia	44	44	Suriname	70	37	Tanzania	96	30	Malawi	126	26	Iran	146	16	Sudan	173
69	France	23	55	Latvia	44	43	Bulgaria	74	36	Bosnia and Herzegovina	101	30	Azerbaijan	126	26	Mozambique	146	16	Venezuela	173
69	United States of America	23	55	Dominica	48	43	Jamaica	74	36	Kosovo	101	30	Djibouti	126	25	Nigeria	146	15	Yemen	177
68	Bhutan	25	54	Saint Lucia	48	43	Tunisia	74	36	Panama	101	29	Ukraine	126	25	Cameroon	153	13	Syria	178
			53	Malta	50	42	Armenia	77	36	Peru	101	29	Guinea	130	25	Central African Republic	153	12	South Sudan	179
				Grenada	51	42	Bahrain	77	36			29	Laos	130	25	Comoros	153	9	Somalia	180
												29	Tajikistan	153						



#cpi2019

www.transparency.org/cpi

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# Wasta

- Wasta means “intermediary”
  - It is a feature in Arab environments that has lots of implications for managerial practice.
  - Wasta, as a social process, has played a **significant role** in many Arab societies.
  - Wasta sometimes could give the benefiting person a **head start** over others.
- ✓ Is it only an Arab phenomenon?
- ✓ What consequences does Wasta have in your opinion?



# Problem of ethics in MENA region

- Indicators for countries in the MENA region demonstrate that there is a **problem of ethics**. Such low scores could be attributed to several factors. Such as:
  - Red-tape (rigid commitment to redundant rules)
  - Stringent bureaucracy
  - Mismanagement and waste
  - Inefficiencies
  - Nepotism (favoritism given to friends and family irrespective of merit)
  - Ineffective due process (weak laws or weak implementation of laws)



# Awareness of Social Issues

## 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.



# Social Entrepreneurs in Egypt

## WELCOME TO INJAZ EGYPT

INJAZ-EGYPT.ORG

INJAZ Egypt is a non-profit organization empowering young people to own their economic success. Through the delivery of hands-on educational programs in Financial Literacy, Work Readiness, and Entrepreneurship, we empower young people to grow their entrepreneurial ideas, hone their work skills, manage their earnings and investments, and secure better lives for themselves, their families, and their communities. Partnering with businesses and educational institutions across the country, INJAZ supplements school curriculum with programs designed to build the capacity and realize the potential of students and young graduates.



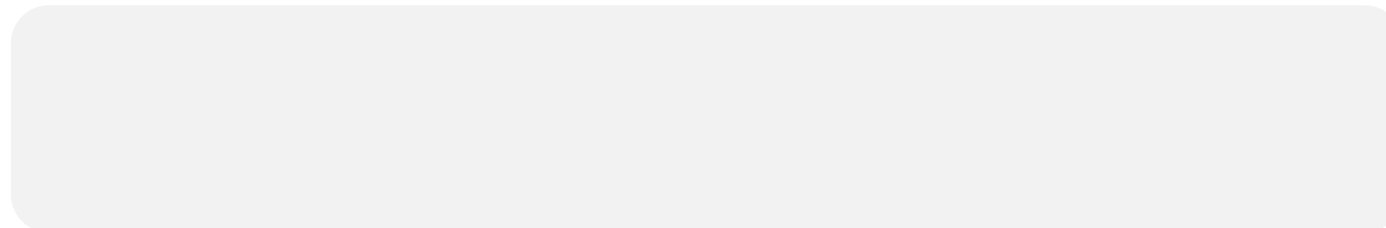
# Businesses Promoting Positive Social Change

- Corporate Philanthropy

- Campaigns
- Donations
- Funding own foundations

- Employee Volunteering Efforts

- Team volunteering
- Individual volunteering during work hours



# CSR In The Arab World

- Many managers link CSR to their religious upbringing as both Islam and Christianity have deemed it necessary for people to help each other
- *Zakat & Tethering* (the Islamic & Christian religious requirement to give a portion of one's wealth to the poor and needy) is often linked to CSR.
- But religious charity has a private religious meaning whereas CSR reflects corporate initiatives which go beyond personal drivers
- CSR in the region seems to be **driven more by rational and political choices** rather than responding to societal expectations

# So, what about CSR in Egypt?

Many practitioners in Egypt listed terms to be synonymous to CSR like: (social order, religious aspect, philanthropy and charity, being a good neighbor/citizen, acquiring a license to operate, moral duty and finally the public image, legal compliance alongside the PR dimensions).

This conforms to WB's definition of CSR in attributing Islam to play an impact on Egyptian business practices, and not merely philanthropy.

No.	Drivers	Obstacles
1	Lucrative aspects that drives corporations to favor and endorse CSR, including the associated benefits of image, goodwill, enhanced employee morale, legal compliance, etc.	Lack of awareness and prevalence of "communication gap" between consumers and corporations
2	The moral duty corporations hold towards the societies they operate within and toward the varying stakeholders they have	Hardship faced in CSR compliance because of lack of clear-cut understanding of the CSR concept, costs of audits, difficulty in compliance stringent codes and standards, its know-how and business reluctance to seek out external help because of cost and time pressures
3	Increased international and local competition due to liberalization – concerns for efficiency and productivity	Costs of social involvement, lack of social skill and dilution of businesses' primary goals of economic activity and profit due to lack of awareness of business benefits with some corporations (i.e. availability of funds and effective management thereof that are allotted for CSR)

Strategic direction toward CSR	No. of corporations	(%)
Via a CSR separate department	4	20
Via Marketing and Public Relations Department	9	45
Via General Manager or his/her deputy/representative	7	35
Total	20	100.0



**The Egyptian Exchange**  
البورصة المصرية

English | عربي

About EGX

Products  
& Services

Listing

Trading

Market Data

Membership

EGX Academy

Sustainability

Reports

Infograph

- ▶ Chairman's Sustainability Message
- ▶ EGX & Sustainability
- ▶ Sustainability Reports
- ▶ Sustainability Advisory Committee

- ▶ EGX Model Guidance for Reporting on ESG Performance & SDGs
- ▶ EGX Sustainability Affiliates
- ▶ News & Events

Stocks

**Bonds**

Mutual Funds

ETFs



AFRICA ▼

ASIA ▼

EUROPE ▼

LATIN AMERICA & CARIBBEAN ▼

MENA ▼

NORTH AMERICA ▼

OO

# Egypt



## OVERVIEW

Launched in 2004

**91 PARTICIPANTS** ([SEE ALL](#))

### TOP SECTORS

Support Services

Food Producers

Banks

### PARTICIPANTS

12

8

4

## Contact

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## INDUSTRIAL LEADERS OF EGYPT TOWARDS CREATING SHARED VALUE



International  
Labour  
Organization

### VOLUME II

FOOD INDUSTRY



AMERICANA

COCA COLA

DANONE

MONDELEZ EGYPT FOODS

MASS FOOD

SAVOLA

UNILEVER

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