GLOBAL EDITION

MANAGING SOCIAL RESPONSIBILITY AND ETHICS

Management

THIRTEENTH EDITION

Stephen P. Robbins • Mary Coulter
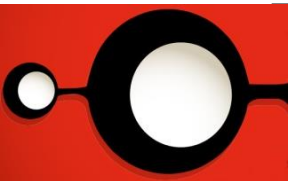
6

LEARNING OBJECTIVES

1. **Discuss** what it means to be socially responsible and what factors influence that decision.

2. **Explain** green management and how organizations can go green.

3. **Discuss** the factors that lead to ethical and unethical behavior.

    - **Develop your skill at** creating trust in work groups.

4. **Describe** management's role in encouraging ethical behavior.

    ▶ **Know how** to make good decisions about ethical dilemmas.

5. **Discuss** current social responsibility and ethics issues.

Read more

https://www.theguardian.com/technology/2017/jun/18/foxconn-life-death-forbidden-city-longhua-suicide-apple-iphone-brian-merchant-one-device-extract

FROM OBLIGATION TO RESPONSIVENESS TO RESPONSIBILITY

Classical View - the view that management's only social responsibility is to **maximize profits**

- **Social Obligation**
  - the obligation of a business to meet its economic and legal responsibilities and nothing more.

CSR

Socioeconomic View - the view that management's social responsibility **goes beyond making profits** to include protecting and improving society's welfare
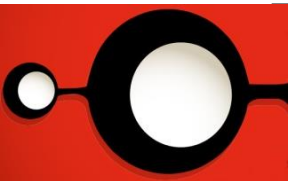
- **Social Responsiveness**
  - when a firm engages in social actions in response to some popular social need
- **Social Responsibility**
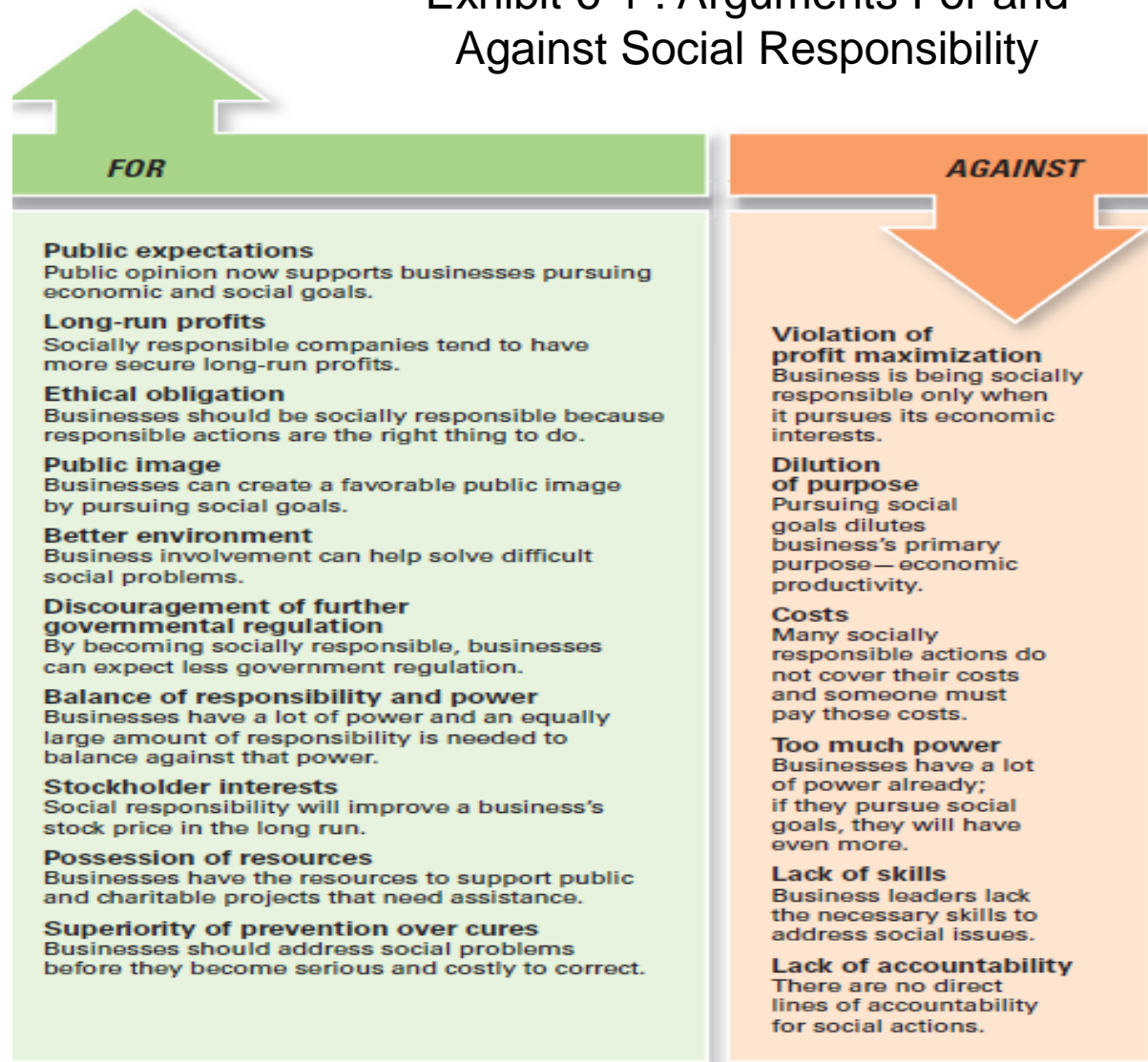 - a business's intention, beyond its legal and economic obligations, to do the right things and act in ways that are good for society
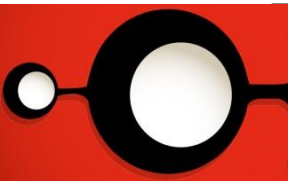
Earth-quake

Fair Trade

SHOULD ORGANIZATIONS BE SOCIALLY INVOLVED?

Exhibit 6-1 : Arguments For and Against Social Responsibility

FOR

Public expectations
Public opinion now supports businesses pursuing economic and social goals.

Long-run profits
Socially responsible companies tend to have more secure long-run profits.

Ethical obligation
Businesses should be socially responsible because responsible actions are the right thing to do.

Public image
Businesses can create a favorable public image by pursuing social goals.

Better environment
Business involvement can help solve difficult social problems.

Discouragement of further governmental regulation
By becoming socially responsible, businesses can expect less government regulation.

Balance of responsibility and power
Businesses have a lot of power and an equally large amount of responsibility is needed to balance against that power.

Stockholder interests
Social responsibility will improve a business's stock price in the long run.

Possession of resources
Businesses have the resources to support public and charitable projects that need assistance.

Superiority of prevention over cures
Businesses should address social problems before they become serious and costly to correct.

AGAINST

Violation of profit maximization
Business is being socially responsible only when it pursues its economic interests.

Dilution of purpose
Pursuing social goals dilutes business's primary purpose—economic productivity.

Costs
Many socially responsible actions do not cover their costs and someone must pay those costs.

Too much power
Businesses have a lot of power already; if they pursue social goals, they will have even more.

Lack of skills
Business leaders lack the necessary skills to address social issues.

Lack of accountability
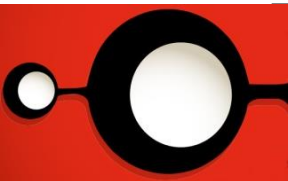There are no direct lines of accountability for social actions.

SHOULD ORGANIZATIONS BE SOCIALLY INVOLVED?

▶ **Social Screening** – applying social criteria (screens) to investment decisions

- SRI (Social Responsible Investment) funds usually will **not invest** in companies involved in **liquor**, gambling, tobacco, nuclear power weapons, price fixing, fraud, or in companies that have poor product safety, employee relations, and environmental track records
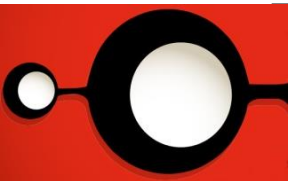
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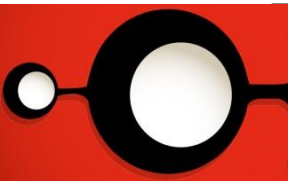5. **Discuss** current social responsibility and ethics issues.

GREEN MANAGEMENT AND SUSTAINABILITY

- **Green Management** – managers consider the impact of their organization on the natural environment

HOW ORGANIZATIONS GO GREEN
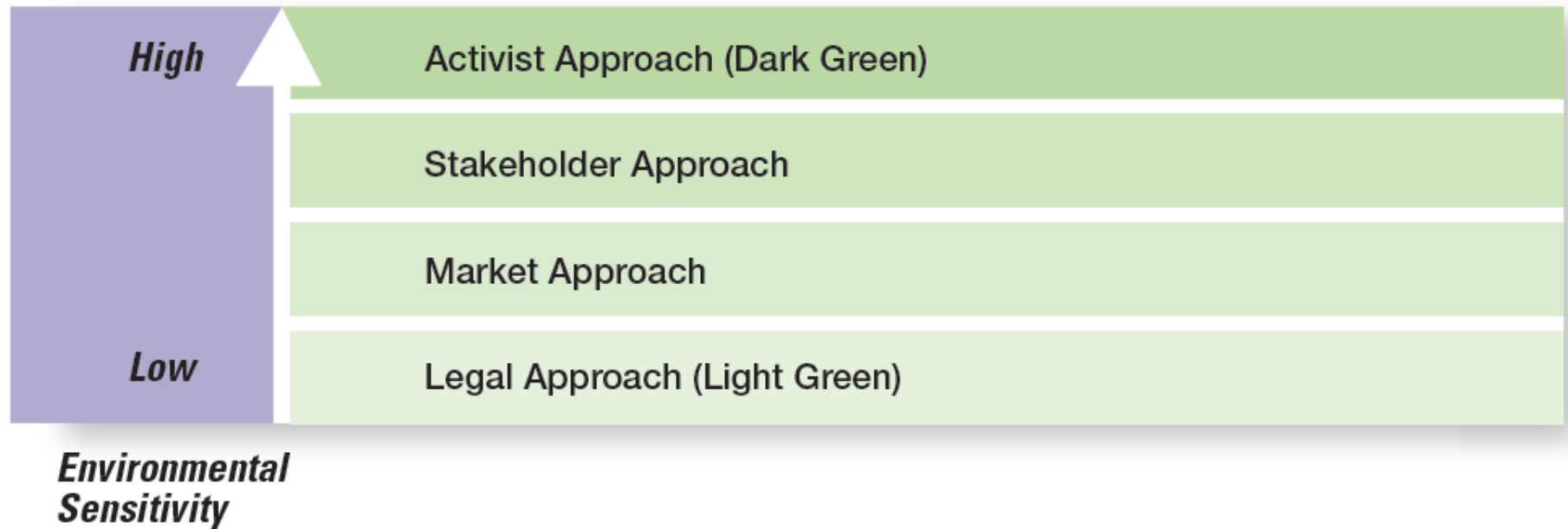
HOW ORGANIZATIONS GO GREEN

- **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.

HOW ORGANIZATIONS GO GREEN (CONT.)

- **Stakeholder Approach** – firms work to **meet the environmental demands** of **multiple stakeholders**—employees, suppliers, and the community.

  Example: Nestle KitKat and The Dark Side of Volkswagen

- **Activist Approach** – firms **look for ways to respect** and preserve the environment and be **actively socially responsible**.
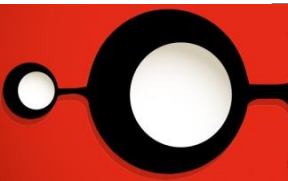
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MANAGERS AND ETHICAL BEHAVIOR

▶ **Ethics** – principles, values, and beliefs that define right and wrong behavior.

- Many decisions managers make **require them to consider** both the **process** and **who's affected** by the result.

FACTORS THAT DETERMINE ETHICAL AND UNETHICAL BEHAVIOR
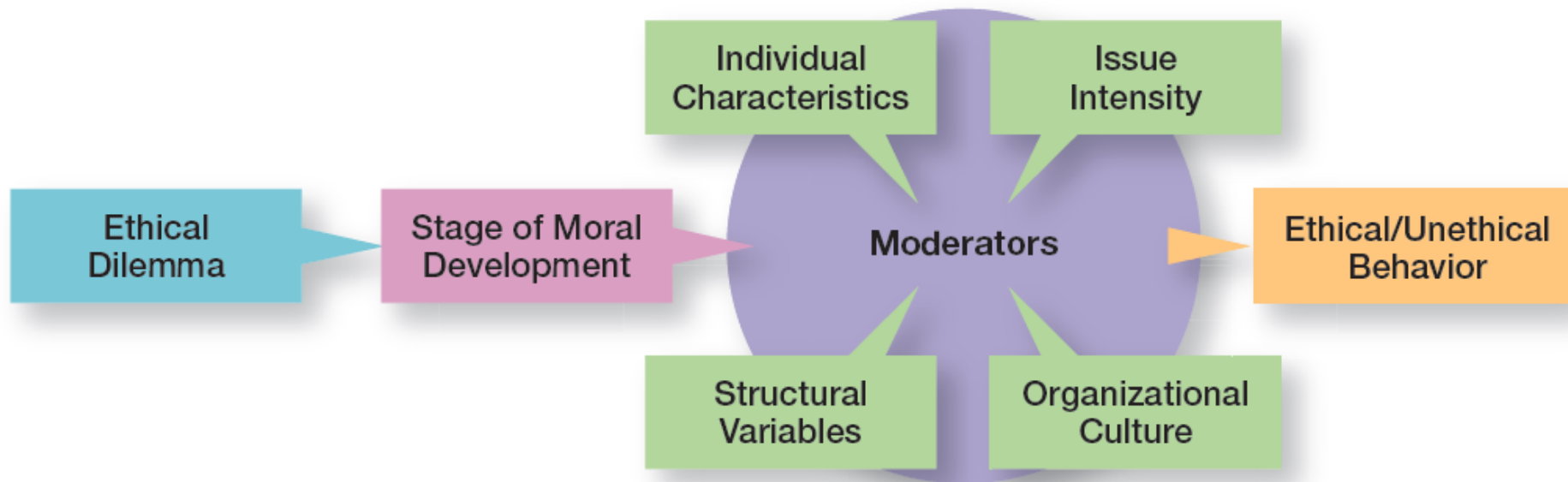
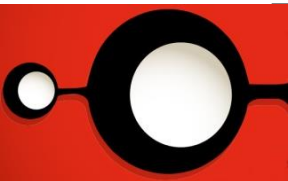# FACTORS THAT DETERMINE ETHICAL AND UNETHICAL BEHAVIOR

▶ Stage of Moral Development

A measure of **independence from outside influences**

Preconvention level – a person's choice between right or wrong is based on **personal consequences from outside sources**

Principled level, individuals define moral values apart from the authority of the groups or society in general

Conventional level, ethical decisions rely on living up to the **expectations of others**

FACTORS THAT DETERMINE ETHICAL AND UNETHICAL BEHAVIOR

▶ Stage **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

FACTORS THAT DETERMINE ETHICAL AND UNETHICAL BEHAVIOR (CONT.)

▶ Individual Characteristics

| Values	Personality
• Personal Values	• Ego Strength 　• Measures the strength of a person's convictions • Locus of Control 　• The degree to which people believe they control their own fate
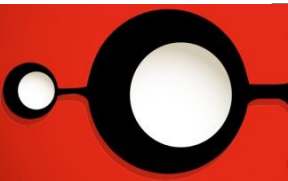
FACTORS THAT DETERMINE ETHICAL AND UNETHICAL BEHAVIOR (CONT.)

▶ Organization's Culture

– Organization's culture consists of the shared organizational values. These values reflect what the organization stands for and what it believes in as well as create an environment that influences employee behavior ethically or unethically.

– **Values-based management** – the organization's values guide employees in the way they do their jobs.
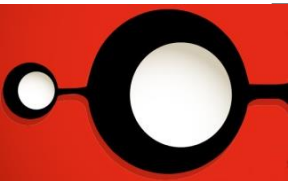
FACTORS THAT DETERMINE ETHICAL AND UNETHICAL BEHAVIOR (CONT.)

▶ **Issue Intensity** - six characteristics determine issue intensity or how important an ethical issue is to an individual:

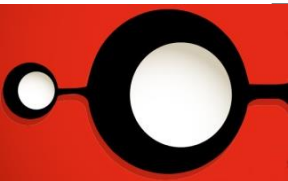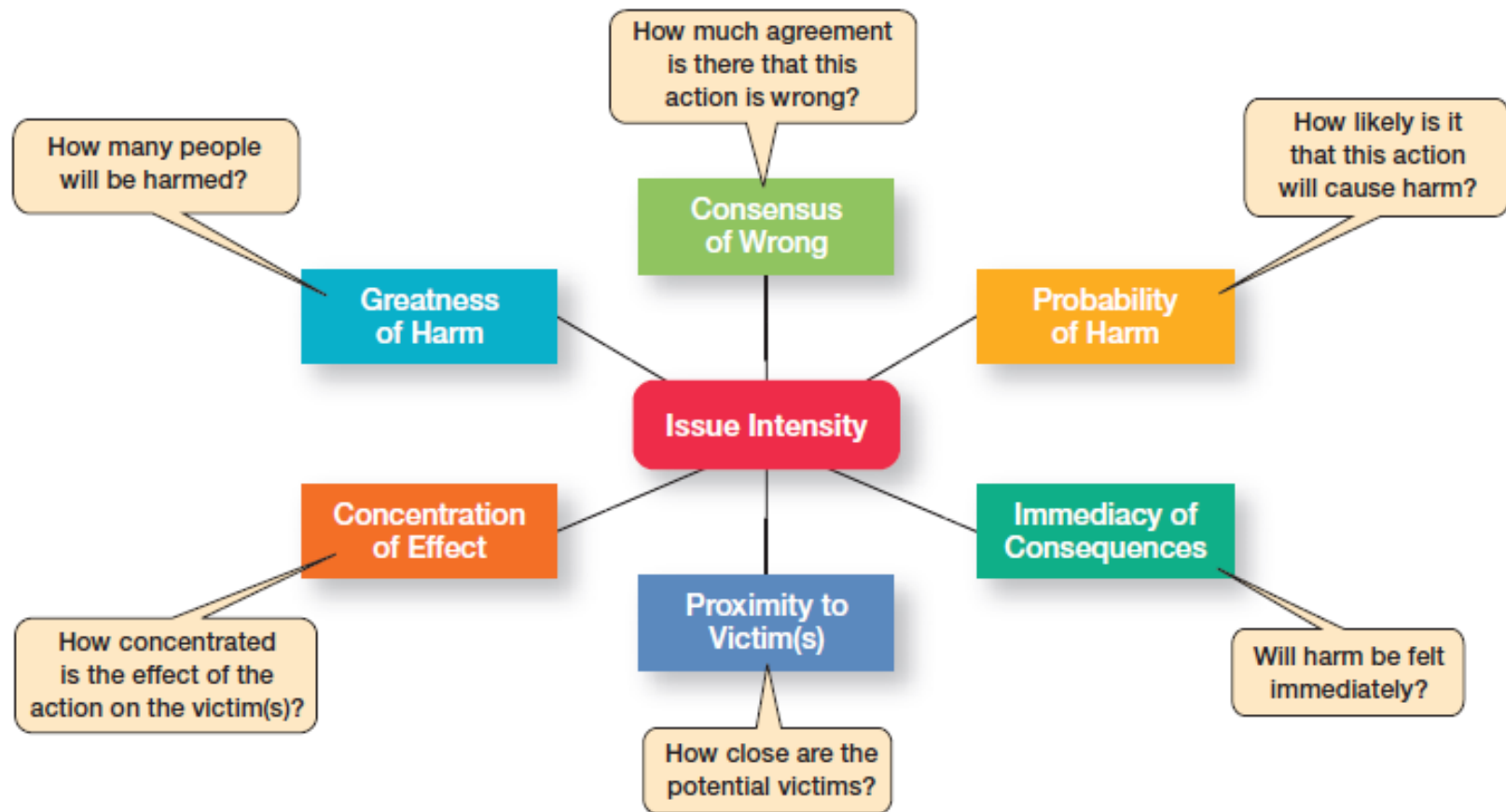|		
Greatness of harm	Consensus of wrong	Probability of harm
Immediacy of consequences	Proximity to victim(s)	Concentration of effect

EXHIBIT 6-5 ISSUE INTENSITY

ETHICS IN AN INTERNATIONAL CONTEXT

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

EXHIBIT 6-6
THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

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 to employment and occupation.

Environment

Principle 7: Support a precautionary approach to environmental challenges.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

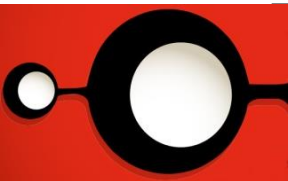Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

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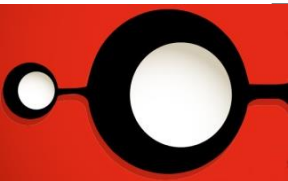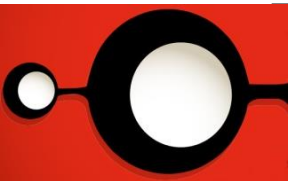
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ENCOURAGING ETHICAL BEHAVIOR

- **Employee Selection** – an opportunity to **learn about an individual's level of moral development,** personal values, ego strength, and locus of control.

- **Code of ethics** – a formal statement of an organization's primary **values** and the **ethical rules** it expects its **employees** to **follow**
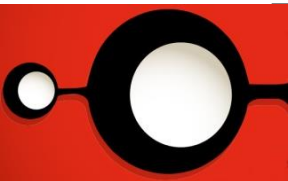
EXHIBIT 6-7 CODES OF ETHICS

Cluster 1. Be a Dependable Organizational Citizen

1. Comply with safety, health, and security regulations
2. Demonstrate courtesy, respect, honesty, and fairnes
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.

EXHIBIT 6-7 CODES OF ETHICS (CONT.)

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.
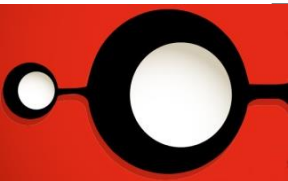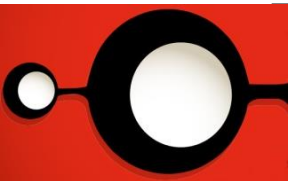
EXHIBIT 6-8
A PROCESS FOR ADDRESSING ETHICAL DILEMMAS

Step 1: What is the **ethical dilemma**?

Step 2: Who are the **affected stakeholders**?

Step 3: What **personal, organizational**, and **external factors** are important in this decision?

Step 4: What are possible **alternatives**?

Step 5: What is my **decision** and how will I act on it?

ENCOURAGING ETHICAL BEHAVIOR (CONT.)

▶Leadership – doing business ethically requires a **commitment from top managers** because:

– they're the ones who uphold the shared values and set the cultural tone

– they're role models in terms of both words and actions

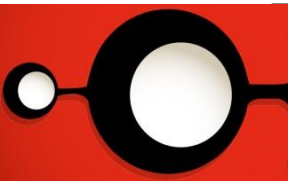– what they *do* is far more important than what they *say*

ENCOURAGING ETHICAL BEHAVIOR (CONT.)

▶ Job Goals and Performance Appraisal

- Unrealistic goals provide stress which may pressure ethical employees to do **whatever is necessary to meet those goals**

- If performance appraisals focus only on economic goals, ends will begin to justify means

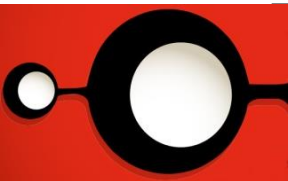- To encourage ethical behavior, both ends *and* means should be evaluated

ENCOURAGING ETHICAL BEHAVIOR (CONT.)

- **Ethics Training** – seminars, workshops, and similar ethics training programs to encourage ethical behavior

- **Independent Social Audits** – evaluate decisions and management practices in terms of the organization's code of ethics

- **Protective Mechanisms** – allow employees who face ethical dilemmas to do what's right without fear of reprimand
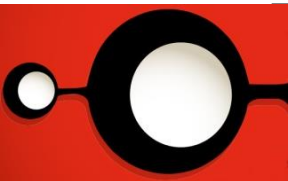
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SOCIAL RESPONSIBILITY AND ETHICS ISSUES IN TODAY'S WORLD

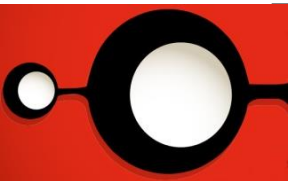► **Managing Ethical Lapses and Social Irresponsibility**

– One survey reported that among 5,000 employees: 45 percent admitted falling asleep at work and 22 percent said they spread a rumor about a coworker.

– Another showed that 26 percent of college and university business majors admitted to "serious cheating" on exams and 54 percent admitted to cheating on written assignments.

SOCIAL RESPONSIBILITY AND ETHICS ISSUES IN TODAY'S WORLD (CONT.)

▶ **Ethical Leadership** – managers must provide ethical leadership. **What managers *do* has a strong influence on employees' decisions** whether to behave ethically.

- **Protection** of Employees Who Raise Ethical Issues:

  – **Whistle-Blower** – individuals who raise ethical concerns or issues to others

EXHIBIT 6-9
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.

SOCIAL RESPONSIBILITY AND ETHICS ISSUES IN TODAY'S WORLD (CONT.)

▶ **Social Entrepreneur** – an individual or organization who seeks out opportunities to improve society by using practical, innovative, and sustainable approaches

   ▶ Example: Kitabisa.com; iGrow

- **Corporate Philanthropy** – can be an effective way for companies to address societal problems

- **Employee Volunteering Efforts** – a popular way for businesses to be involved in promoting social change