

Learning Objectives (1 of 2)

Discuss what it means to practice good business ethics' and highlight the forces that can influence ethical decision. making.

Define corporate social responsibility .CSR.'and explain the difference between philanthropy and strategic CSR.

Distinguish among the four perspectives on corporate social responsibility.

Discuss the role of business in protecting the natural environment' and define sustainable development .

Identify five fundamental consumer rights and the responsibility of business to respect them.

Explain the responsibilities businesses have toward their employees.

Identify two categories of ethical concerns with artificial intelligence.

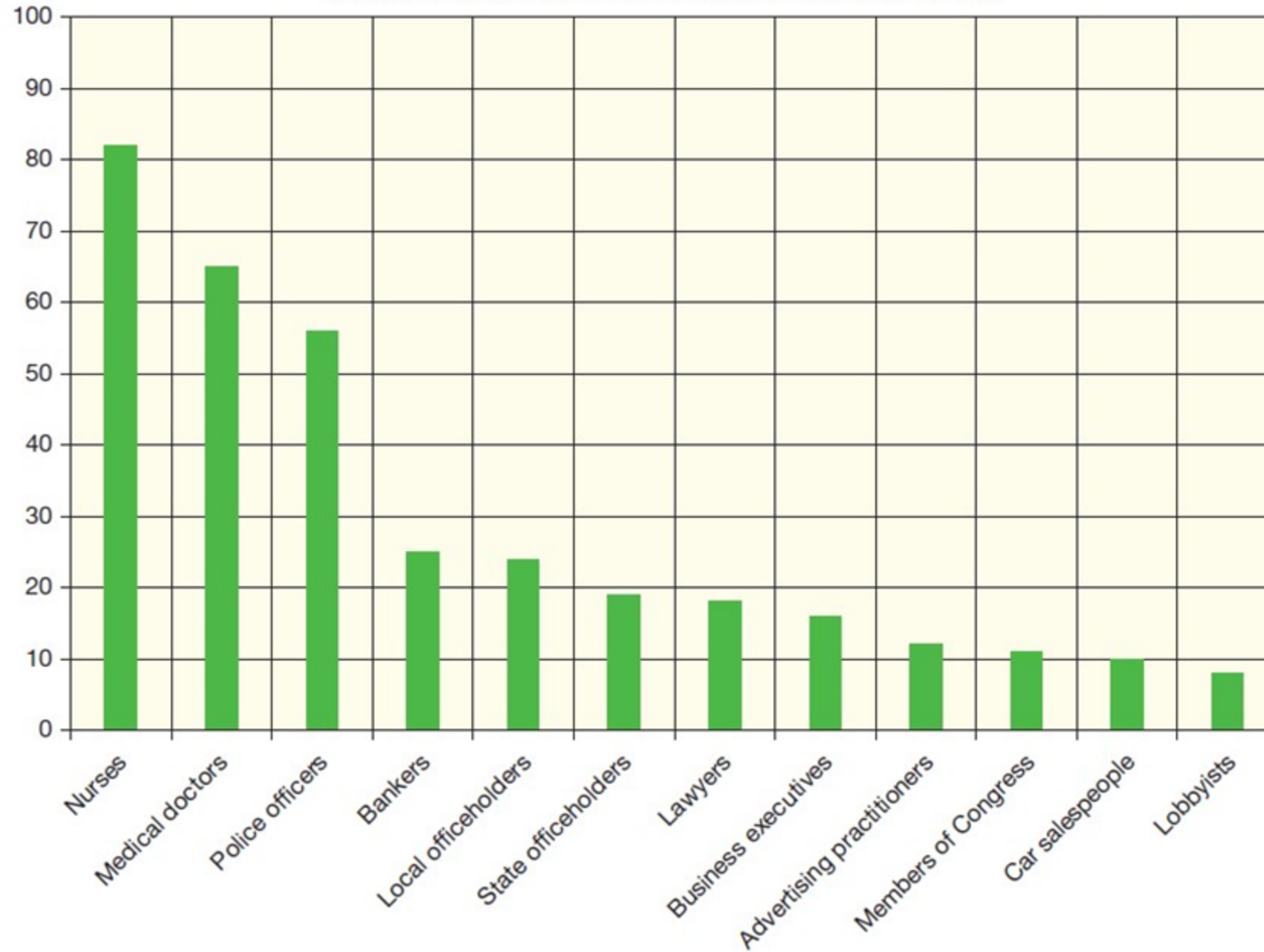
Introduction

As a future business leader' you will face some of the challenges discussed in this chapter' and your choices won't always be easy. You may struggle to find ethical clarity in some situations or even to understand what your choices are and how each option might affect your company's various stakeholders.

Ethics in Contemporary Business

- **Ethics**
 - The rules or standards governing the conduct of a person or group

U.S. Public Opinion of Selected Professions
% rating honesty and ethical standards as “very high” or “high”























Defining Ethical Behavior (1 of 2)

- **Insider trading**
 - The use of unpublicized information that an individual gains from the course of his or her job to benefit from fluctuations in the stock market
- **Competing fairly and honestly**
 - Businesses are expected to compete fairly
- **Communicating truthfully**
 - Communicating truthfully is a simple enough concept: Tell the truth' the whole truth' and nothing but the truth
- **Not causing harm to others**
 - All businesses have the capacity to cause harm to employees' customers' other companies' their communities' and investors

Strategies for Supporting Ethical Behavior

- **Code of ethics**
 - A written statement that sets forth the principles that guide an organization's decisions
- **Transparency**
 - The degree to which affected parties can observe relevant aspects of transactions or decisions
- **Whistle.blowing**
 - The disclosure by a company insider of information that exposes illegal or unethical behavior by others within the organization

	their investment)			and actions)	governments get from the company)
Company decides to <i>offshore</i> some of its production to another country with lower labor costs; lays off significant number of employees	 Stand to benefit from lower production costs, which could increase sales, profits, or both, probably leading to increases in share price	 Some employees lose their jobs; morale likely to suffer among those who keep theirs	 Benefit from lower prices	 Suffers from loss of spendable income in the local economy and taxes paid to local government; exodus of employees can drive down home values	  Might be hurt or helped by the move, depending on whether loss of income tax paid by U.S. employees is offset by increased income tax paid by the company, for example
Company institutes a generous pay and benefits increase to improve employee morale	  Might be hurt in the short term as the stock market punishes the company for increasing its cost structure and diverting funds away from development; could help over the long term if the move boosts employee productivity	 Benefit from higher pay and more valuable benefits	  Could be hurt by higher prices if prices are raised to cover the added costs; could benefit from higher levels of employee satisfaction, leading to improved customer service	 Benefits from more spendable income in the local economy and taxes paid to local government; better employee benefits could also mean less drain on community resources such as health clinics	 Benefit from more money paid into government treasuries through higher income taxes
Company installs a multimillion-dollar waste water recir-	  Probably hurt as stock market punishes	  Probably hurt in the short term as less money	 Hurt as higher costs are passed along as	 Helped by the company's efforts to con-	 Hurt as the company writes off the cost of

Guidelines for Making Ethical Decisions

- **Ethical dilemma**
 - A situation in which more than one side of an issue can be supported with valid ethical arguments
- **Conflicts of interest**
 - Situations in which competing loyalties can lead to ethical lapses' such as when a business decision may be influenced by the potential for personal gain.

Exhibit 4.3 Approaches to Resolving Ethical Dilemmas

Sources: Manuel Velasquez' Claire Andre' Thomas Shanks' S. J.' and Michael J. Meyer' "Thinking Ethically: A Framework for Moral Decision Making'" Markkula Center for Applied Ethics' Santa Clara University' accessed 3 June 2009'www.scu.edu; Ben Rogers' "John Rawls'" The Guardian' 27 November 2002'www.guardian.co.uk; Irene Van Staveren' "Beyond Utilitarianism and Deontology: Ethics in Economics'" Review of Political Economy' January 2007' 21–35.

Finding the Right Answer When Faced with an Ethical Dilemma

Make sure you frame the situation accurately' taking into account all relevant issues and questions.

Identify all parties who might be affected by your decision.

Be as objective as possible.

Corporate Social Responsibility

- **Corporate social responsibility .C S R.**
 - The idea that business has obligations to society beyond the pursuit of profits

The Relationship Between Business and Society (1 of 2)

Consumers in contemporary societies **enjoy** and **expect** a wide range of benefits' from education and healthcare to credit and products that are safe to use.

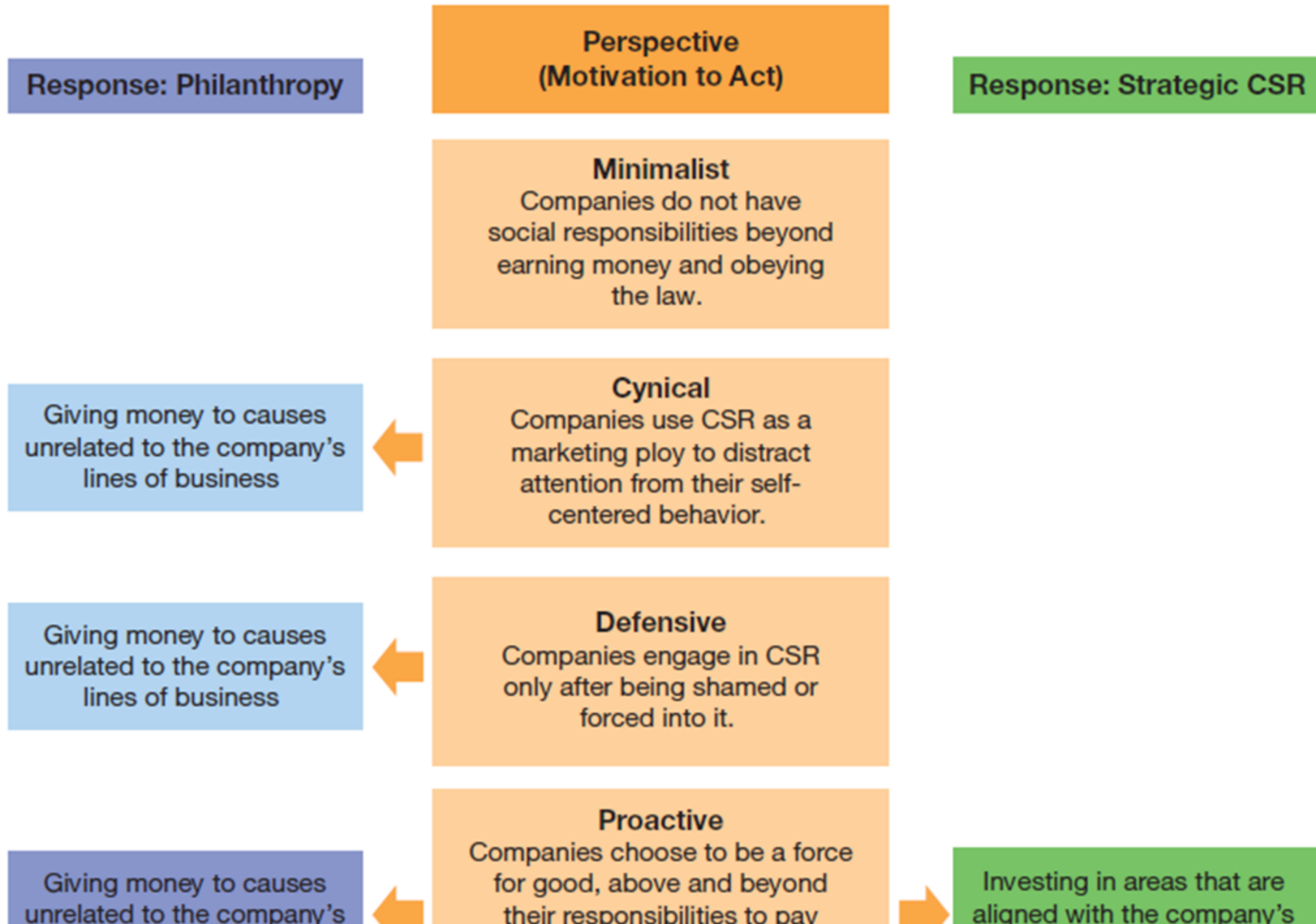
Profit.seeking companies are the **economic engine** that powers modern society; they generate the vast majority of the money in a nation's economy.

Much of what we consider when assessing a society's standard of living involves goods and services created by **profit.seeking** companies.

Companies cannot hope to operate profitably without the many benefits provided by a **stable' functioning** society.

Philanthropy versus Strategic C S R

- **Philanthropy**
 - The donation of money' time' goods' or services to charitable' humanitarian' or educational institutions
- **Strategic C S R**
 - Social contributions that are directly aligned with a company's overall business strategy

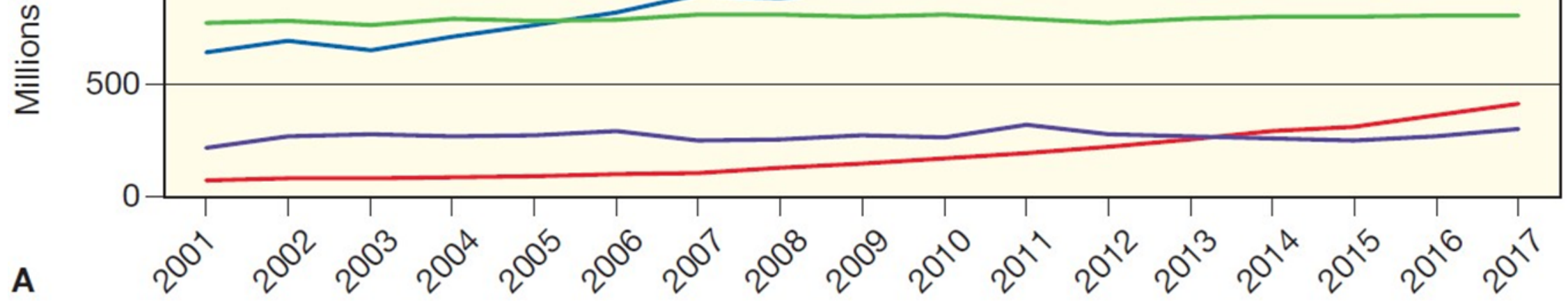


Defensive C S R

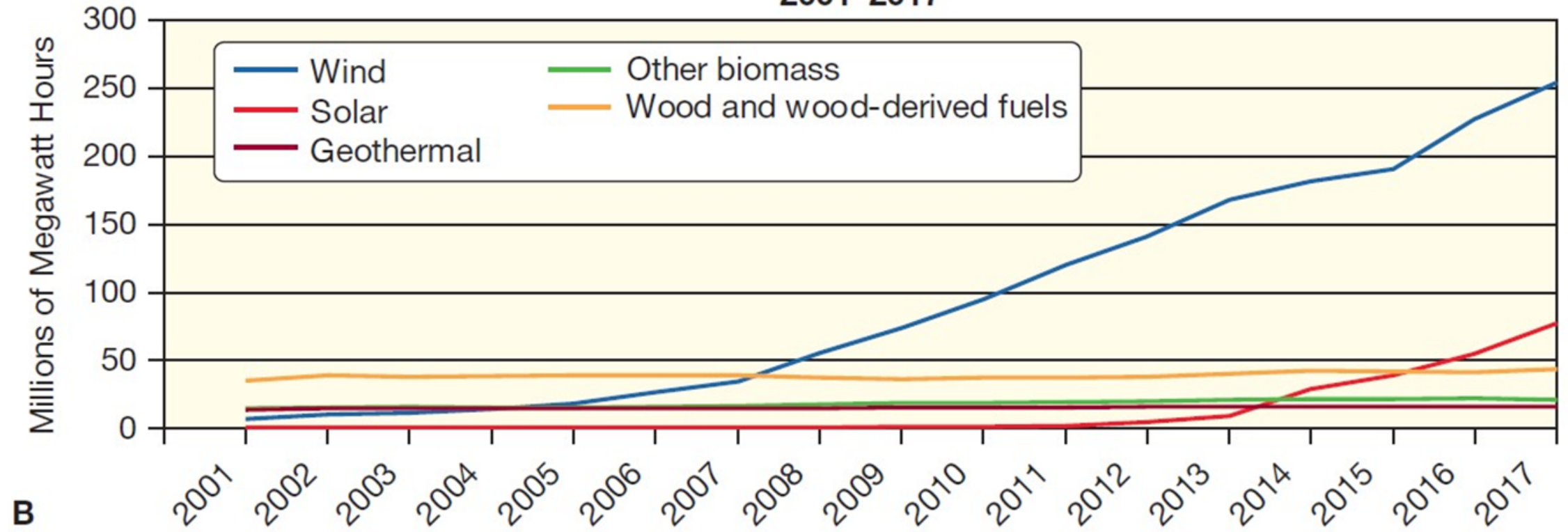
- **Nongovernmental organizations .N G Os.**
 - Nonprofit groups that provide charitable services or promote social and environmental causes

The Proactive Stance: Moving Beyond C S R

- **Purpose.driven business**
 - A company that aspires to accomplish more than just making money for owners and investors



**Electricity Generation from Renewable Sources
2001-2017**



Clean Air Act .1963.

Solid Waste Disposal Act .1965.

National Environmental Policy Act .1969.

Resource Recovery Act .1970.

Clean Water Act .1972.

Noise Control Act .1972.

Endangered Species Act .1973.

Safe Drinking Water Act .1974.

Toxic Substances Control Act .1976.

Nuclear Waste Policy Act .1982.

Marine Protection' Research' and Sanctuaries Act .1988.

Oil Pollution Act .1990.

The Trend Toward Sustainability

- **Sustainable development**
 - Operating business in a manner that minimizes pollution and resource depletion' ensuring that future generations will have vital resources

C S R: Consumers (1 of 2)

- **Consumerism**

- A movement that pressures businesses to consider consumer needs and interests

- **Identity theft**

- A crime in which thieves steal personal information and use it to take out loans and commit other types of fraud

The right to buy safe products—and to buy them safely

The right to be informed

The right to choose which products to buy

The right to be heard

C S R: Employees (1 of 2)

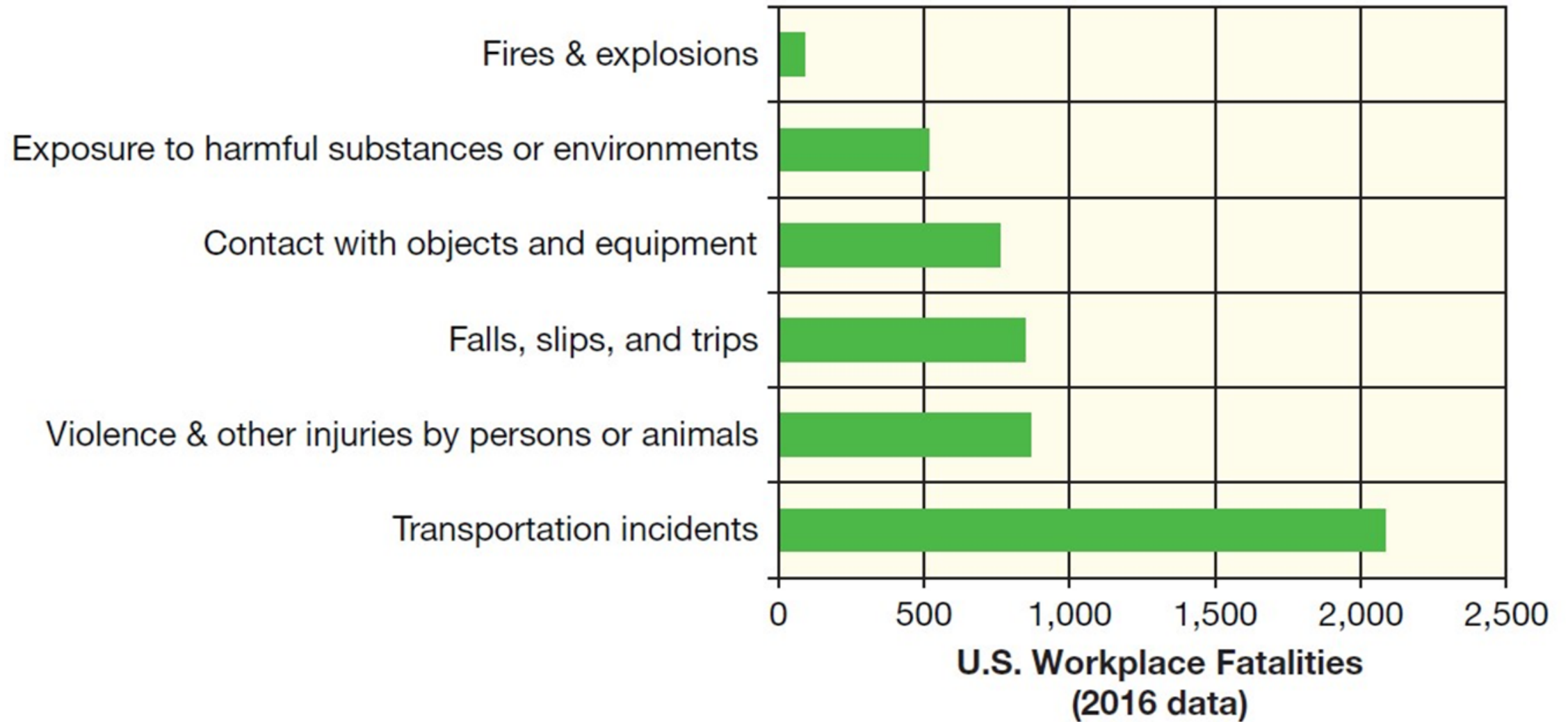
- **Discrimination**

- In a social and economic sense' denial of opportunities to individuals on the basis of some characteristic that has no bearing on their ability to perform in a job

- **Affirmative action**

- Activities undertaken by businesses to recruit and promote members of groups whose economic progress has been hindered through either legal barriers or established practices

Exhibit 10: Fatal Occupational Injuries



Source: "Census of Fatal Occupational Injuries," U.S. Bureau of Labor Statistics, www.bls.gov.

Source: "Census of Fatal Occupational Injuries'" U.S. Bureau of Labor

Applying What You've Learned (1 of 2)

Discuss what it means to practice good business ethics' and highlight three factors that influence ethical decision making.

Define **corporate social responsibility .C S R.** 'and explain the difference between philanthropy and strategic CSR.

Distinguish among the four perspectives on corporate social responsibility.

Discuss the role of business in protecting the natural environment' and define **sustainable development** .

Identify five fundamental consumer rights and the responsibility of business to respect them.

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