

The Ethical and Social Environment





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Ethics In Organizations



- ❑ An individual's personal beliefs regarding what is right and wrong or good and bad.
- ❑ **Ethics** or moral philosophy is the branch of philosophy that involves systematizing, defending, and recommending concepts of right and wrong conduct

Ethics In Organizations

- **Ethical Behavior**

- behavior that conforms to
generally accepted social
norms.

- **Examples of Unethical Behavior**

- “Borrowing” office supplies for personal use, “Surfing the Net” on company time.
- Filing falsified or inflated business expense reports.





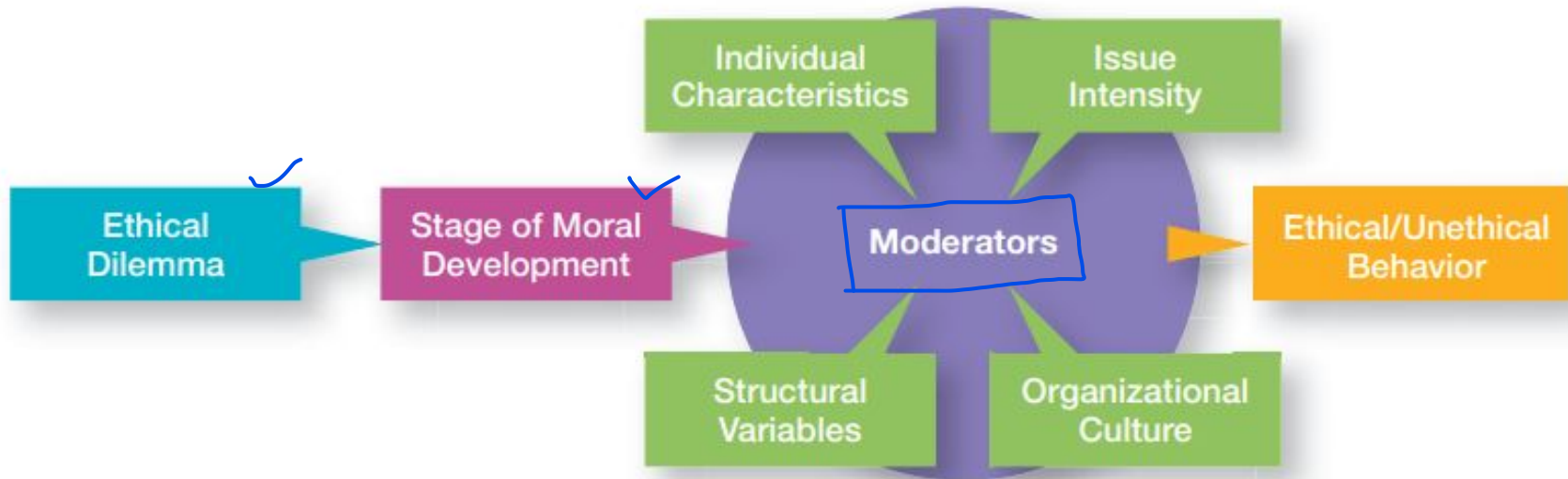
Ethics In Organizations

Business ethics

- Business ethics is the evaluation of business activities and behavior as right or wrong.
- Ethical standards in business are based on commonly accepted principles of behavior.
- Violation of ethics makes trust and goodwill difficult to maintain.



Factors determine ethical or unethical behavior



Factors determine ethical or 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 determine ethical or unethical behavior

MORAL DEVELOPMENT

What can we conclude about moral development?

First, people proceed through the six stages sequentially.

Second, there is no guarantee of continued moral development.

Third, the majority of adults are at Stage 4: They're limited to obeying the rules and will be inclined to behave ethically, although for different reasons.

Factors determine ethical or unethical behavior

Individual Characteristics

Two individual characteristics—values and personality—play a role in determining whether a person behaves ethically.

Our values develop from a young age based on what we see and hear from parents, teachers, friends, and others.

Two personality variables have been found to influence an individual's actions according to his or her beliefs about what is right or wrong:

- **Ego Strength And**
- **Locus Of Control.**

Factors determine ethical or unethical behavior

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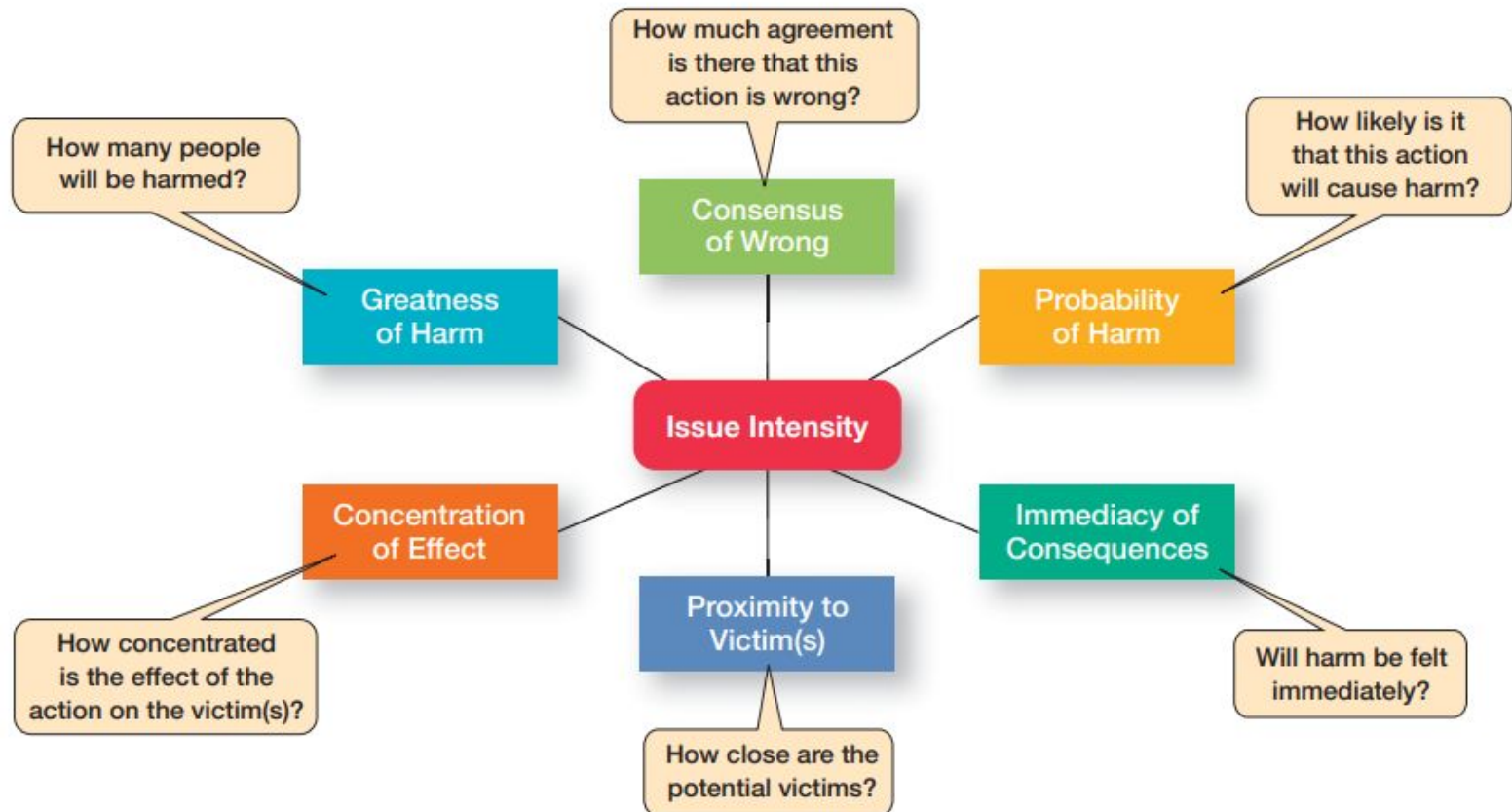
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Factors determine ethical or unethical behavior

Issue Intensity





Business Ethics



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Ethics in Organizations

Individual Values

+

Organizational Values

=

Managerial Values

Four views of ethics

❖ Utilitarian view of ethics

❖ Rights view of ethics

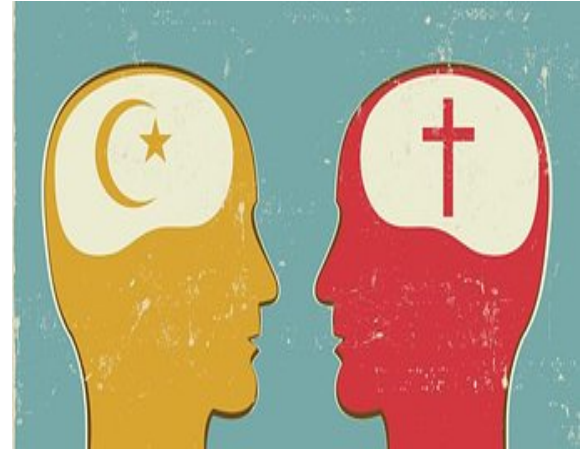
❖ Theory of justice view of ethics

❖ Integrative social contracts theory



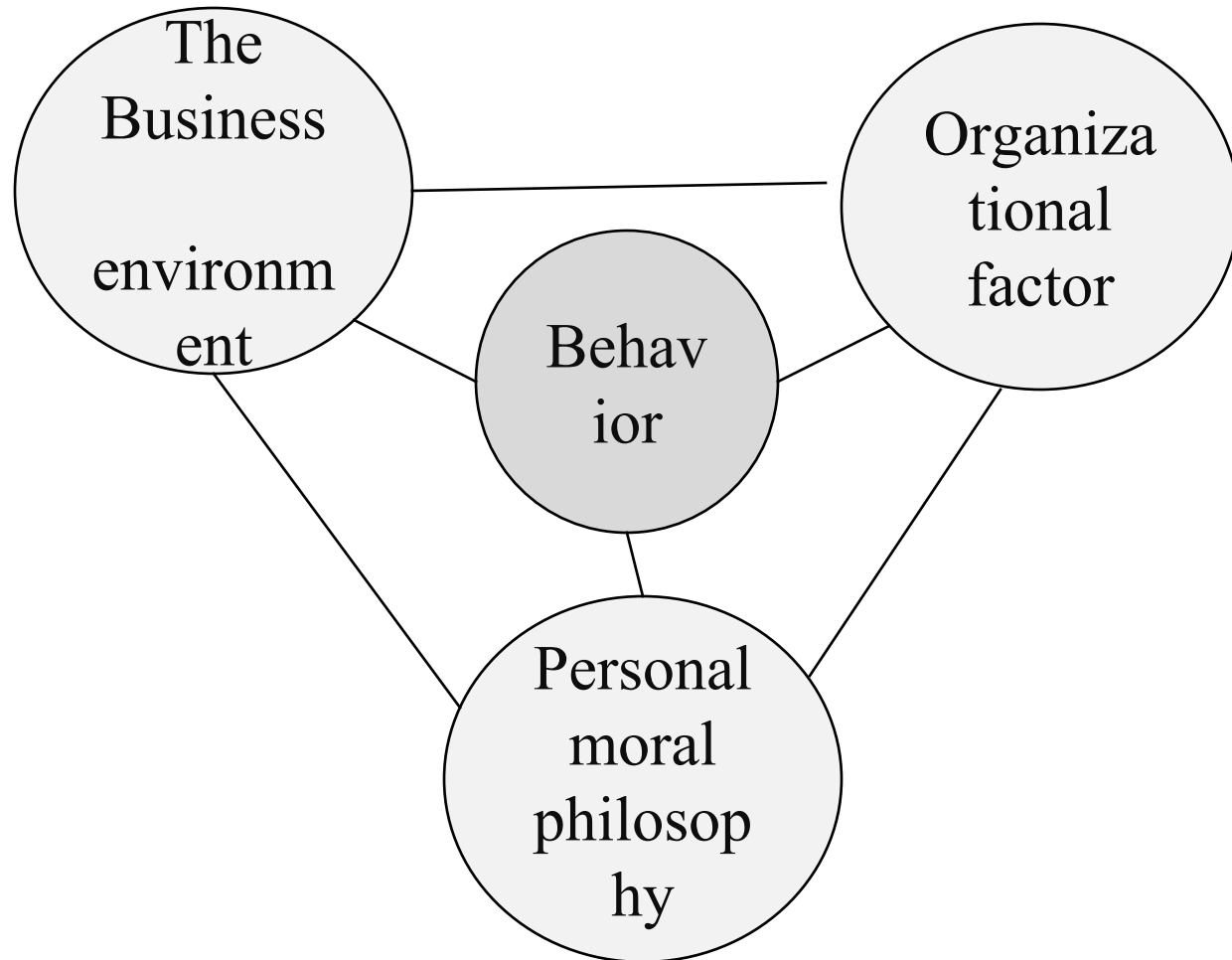
Sources of Business Ethics

- ✓ Religion
- ✓ Culture
- ✓ Law



Ethics in Organizations

Factors influencing ethical behavior



Encouraging Ethical Behavior

- Offer courses in ethics and include ethics in training program.
- Establish code of ethics
- Whistle-blowers

An employee who informs supervisors, media or a government agency about unethical behavior within an organization.

Steps may be taken to maintain ethical standards

- Ensure legality in business activities
- Ensure quality of products & service.
- Charging fair price
- Avoid fraud & cheating
- Protecting environment
- Avoiding harmful competition
- Paying taxes
- Setting organizational code of conduct
- Setting guidelines for good employer –employee relationship

From Obligations to Responsiveness to Responsibility

social obligation

When a firm engages in social actions because of its obligation to meet certain economic and legal responsibilities.

Classical view The view that management's only social responsibility is to maximize profits.

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



Social Responsibility and Organizations ✓

Social Responsibility

- The awareness that business activities have an impact on society and the consideration of that impact by firms in decision making.
- Besides earning profit firm should engaged in voluntary activities that benefit society.

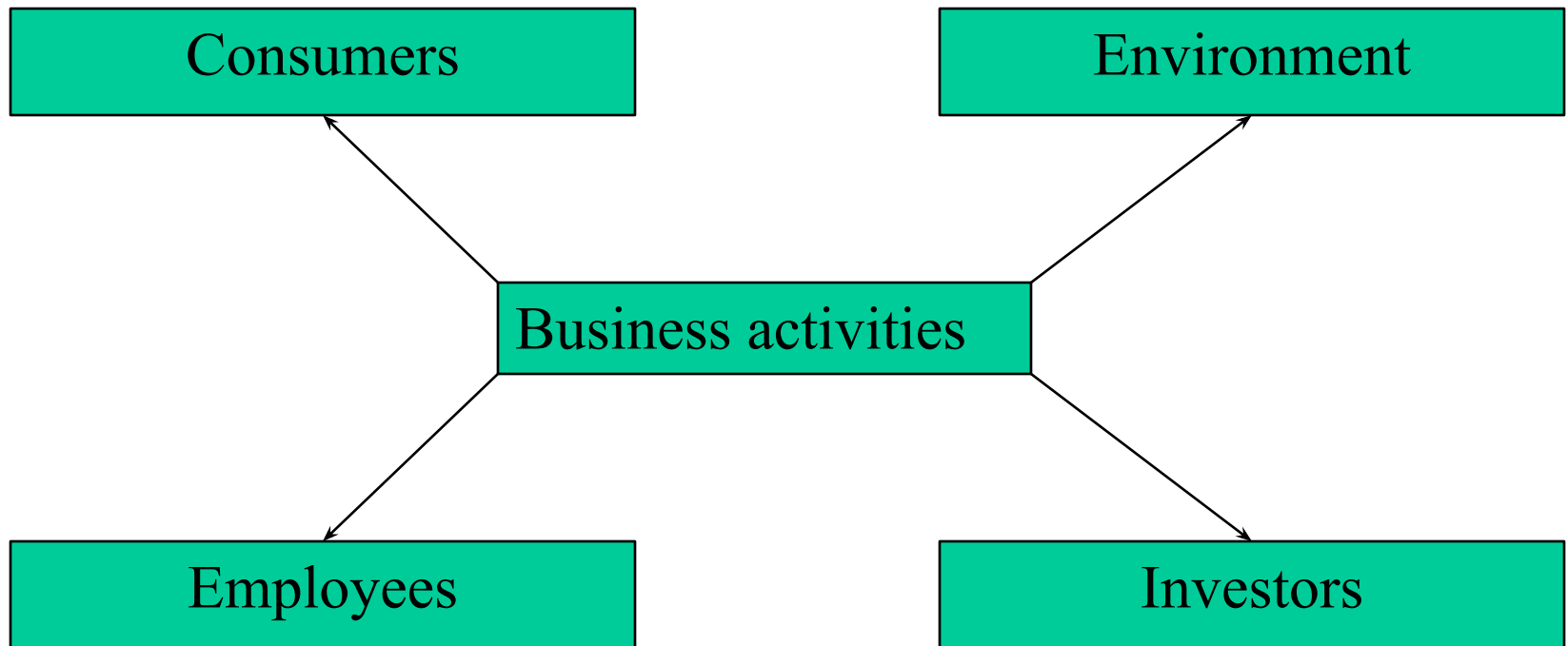


Arguments for and Against Social Responsibility

For	Against
Public expectations Public opinion now supports businesses pursuing economic and social goals.	Violation of profit maximization Business is being socially responsible only when it pursues its economic interests.
Long-run profits Socially responsible companies tend to have more secure long-run profits.	Dilution of purpose Pursuing social goals dilutes business's primary purpose—economic productivity.
Ethical obligation Businesses should be socially responsible because responsible actions are the right thing to do.	Costs Many socially responsible actions do not cover their costs and someone must pay those costs.
Public image Businesses can create a favorable public image by pursuing social goals.	Too much power Businesses have a lot of power already and if they pursue social goals they will have even more.
Better environment Business involvement can help solve difficult social problems.	Lack of skills Business leaders lack the necessary skills to address social issues.
Discouragement of further governmental regulation By becoming socially responsible, businesses can expect less government regulation.	Lack of accountability There are no direct lines of accountability for social actions.
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.	

Social Responsibility and Organizations

To whom Business firms are responsible?



Social Responsibility and Organizations

- **Responsibilities to Consumers**

Serve the basic rights of the consumers

- The right to safety
- The right to be informed
- The right to choose
- The right to be heard



Social Responsibility and Organizations

Responsibility to employees

- Safety in the workplace
- Equality in the workplace
- Congenial Working environment



Social Responsibility and Organizations

Responsibility to Environment

- water pollution
- Air pollution
- Land pollution



Social Responsibility and Organizations

Responsibility to investors

- proper management of fund
- Access to information
- Executive Compensation



Social Responsibility and Organizations

Advancing social responsibility

- Community support
- Self –regulation
- The social audit

Organizational Stakeholders



Figure 4.3

ORGANIZATIONAL STAKEHOLDERS

All organizations have a variety of stakeholders who are directly affected by the organization and who have a stake in its performance. These are people and organizations to whom an organization should be responsible.

Figure 4.5: Approaches to Social Responsibility

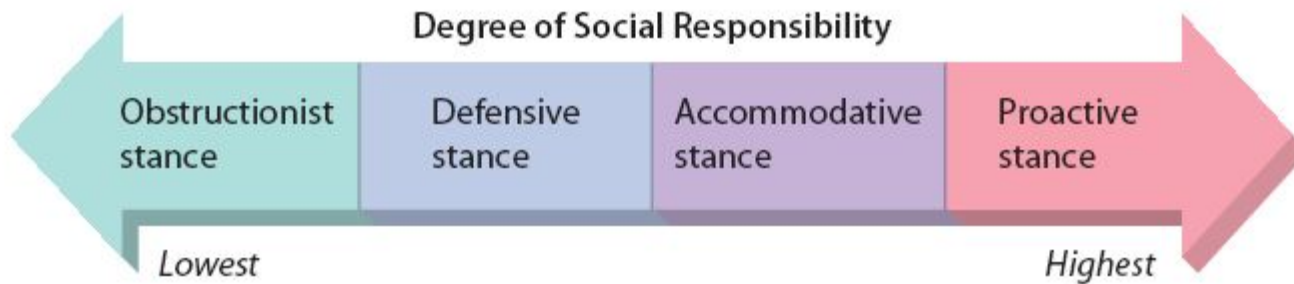


Figure 4.5

APPROACHES TO SOCIAL RESPONSIBILITY

Organizations can adopt a variety of approaches to social responsibility. For example, a firm that never considers the consequences of its decisions and tries to hide its transgressions is taking an obstructionist stance. At the other extreme, a firm that actively seeks to identify areas where it can help society is pursuing a proactive stance toward social responsibility.

Approaches to Social Responsibility (cont'd)

- **Obstructionist** Stance
 - Do as little as possible
- **Defensive** Stance
 - Do only what is legally required and nothing more.
- **Accommodative** Stance
 - Meet legal and ethical obligations and go beyond that in selected cases.
- **Proactive** Stance
 - Organization views itself as a citizen and proactively seeks opportunities to contribute to society.

Figure 4.6: How Business and the Government Influence Each Other

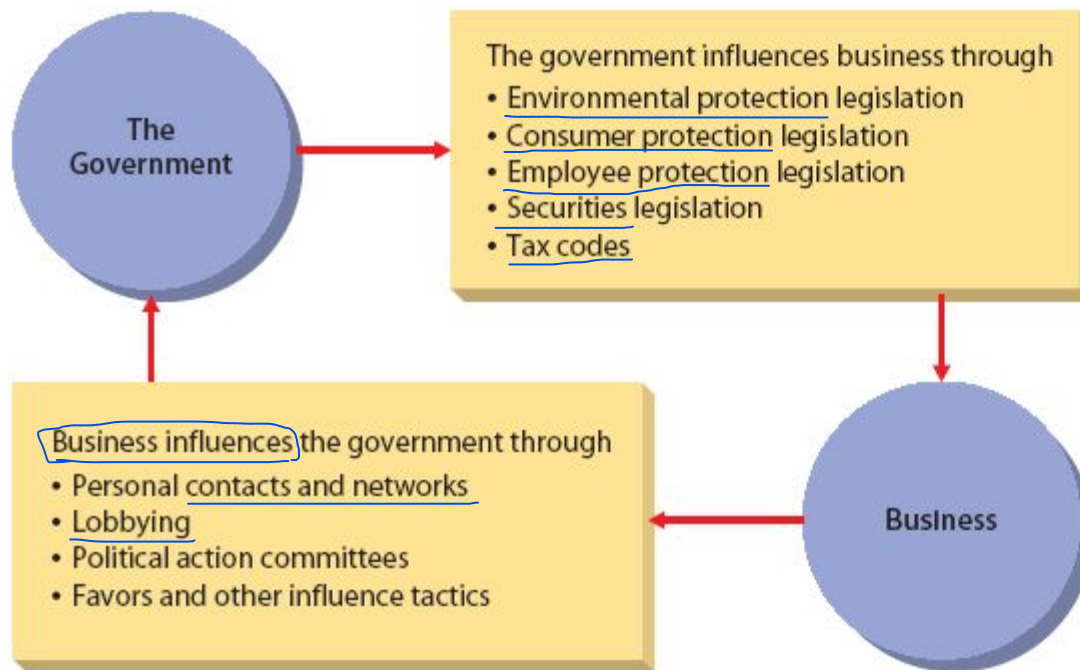


Figure 4.6

HOW BUSINESS AND THE GOVERNMENT INFLUENCE EACH OTHER

Business and the government influence each other in a variety of ways. Government influence can be direct or indirect. Business influence relies on personal contacts, lobbying, political action committees (PACs), and favors. Federal Express, for example, has a very active PAC.

Managing Social Responsibility: Formal Organizational Dimensions

- **Legal Compliance**
 - Extent to which the organization conforms to local, state, federal, and international laws.
- **Ethical Compliance**
 - Extent to which members of the organization follow basic ethical/legal standards of behavior.
- **Philanthropic Giving**
 - Awarding of funds or gifts to charities and other social programs.