

CHAPTER # 5

^{Obligation}
Social Responsibility: When a firm engages in social action because of its obligation to meet certain economic & legal responsibilities. The organization does what it is obligated to do & nothing more.

Example: A company implementing sustainable practices to reduce its environmental impact, such as reducing carbon emission, minimizing waste product or sourcing materials ethically.

Classical View: The view that management's only social responsibility is to maximize profit. When a manager decide to spend the organization's resources for "social good", they add to the costs of doing business which has to be passed on to consumers thru higher prices.

Socioeconomic View: Managers social responsibility is to go beyond making profits to include protecting & improving society's welfare.

→ The concepts social responsiveness & social responsibility reflect this view.

→ A tech company notices growing privacy concerns. In response, the company quickly revises its privacy policies, enhances data protection measures & communicates these changes to users.
→ ability to address immediate social issues.

• **Social Responsiveness:** When a company engages in a social action in response to some popular social need.

Examples: • Ford Motor Company became the first automaker to endorse a federal ban on sending text msgs while driving because due to this there is a substantial incr. in the risks of accidents.

• UPS has a company wide policy that urges employees to volunteer during natural disasters & other crises.

→ more long term commitment to ethical conduct

• **Social Responsibility:** Defined as a business's intention, beyond its legal and economic obligations, to do the right things & act in ways that are good for society. A social responsible organization does what it ~~feels~~ feels is right because it feels it has an ethical responsibility to do so.

Example: A US company Abt Electronics responded to soaring energy cost and environmental concerns by shutting off lights more frequently & reducing air conditioning & heating.

"GREEN MANAGEMENT"

Managers consider the impact of their organization on the natural environment.

Examples:

- ① Coca Cola announced that 100% of its new vending machines & coolers would be hydrofluorocarbon-free (HFC-free) by 2015. This initiative alone would have the same effect on global carbon emission as taking 17 million cars off the road for a single year.
- ② The Fairmont Hotel has setup rooftop beehives to lay & help strengthen population of honeybees, which have been mysteriously dwindled.
- ③ In 2004, General Electric Company started an initiative called Ecomagination, that led to \$100 million cost saving & reduced company's greenhouse emission by 30%.
- ④ Fiji Water is using renewable energy resources, preserving forest, and conserving water.
- ⑤ Google & Intel initiated an effort to get computer makers & customers to adopt technologies that reduce energy consumption.

'Approaches To Go Green'

① Legal Approach (Right Green):

→ It's simply doing what it is required legally. In this approach which illustrates social obligation, organisations exhibit little environment sensitivity. They obey laws, rules and regulation without legal challenge & that's the extent of their being green.

Example: A clothing manufacturer might decide to invest in pollution control equipment only if it's required by law, and not proactively going beyond the minimum requirements.

② Market Approach:

This approach is driven by market forces and consumer preferences. Companies that take this approach might focus on environmentally friendly products or services because it is profitable to do so.

Example: DuPont developed a new type of herbicide that helped farmers around the world reduce their and use of chemicals. The company responded to demand of its consumers (farmers) who wanted to minimise the use of chemicals on their crops.

③

Stakeholder Approach:

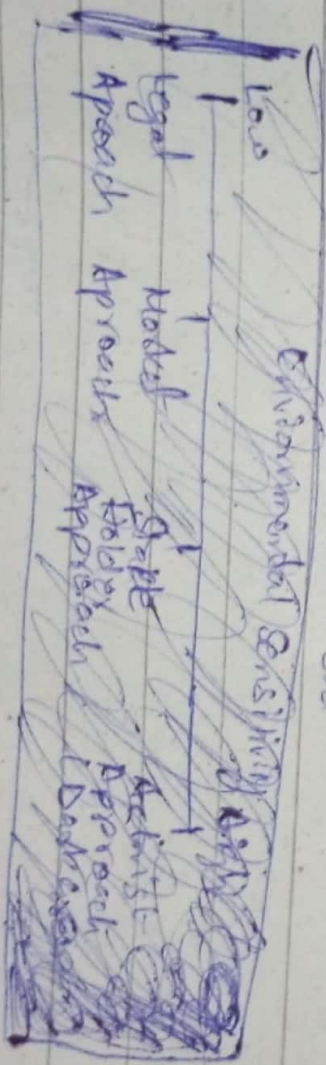
An organization works to meet the environmental demands of multiple stake holders such as employees, suppliers, or community.

Example Hewlett Packard has several corporate environmental programs in place for its supply chain (suppliers), product design & product recycling (customers & society) and waste operations (employee & community).

④ Activist Approach: (Dark Green)

→ Organization looks for ways to protect that earth's natural resources. It reflects highest degree of environmental sensitivity & illustrates social responsibility.

Examples Belgian company Ecovies produces ecological cleaning products in a near-zero emissions factory. The company chooses to build two facilities because of its commitment to the environment.



'Manners & ETHICAL BEHAVIOUR'

• **ETHICS:** Principles, values & beliefs that define right & wrong decisions & behaviours.

• **FACTORS THAT DETERMINE ETHICAL & UNETHICAL BEHAVIOUR**

① Stage of Moral Development:

→ There are 3 levels & each level has two stage & at each successive stage, an individual's moral judgment becomes less dependent on outside influences & more internalized.

Level #01 → Preconventional:

- ① Shying to rules to avoid physical punishment
- ② Following rules only when doing so is in your immediate interest

Level #02 → Conventional:

- ③ Living up to what is expected by people close to you
- ④ Maintaining conventional order by fulfilling obligations to which you are ^{organ}

Level #03 → Principled

- ⑤ Valuing rights of others & upholding absolute values & rights regardless of majority's opinion
- ⑥ Following self-chosen ethical principles even if they violate laws

② Individual Characteristics:

→ Two individual characteristics: values & personality play vital role.

Values: basic conviction about what is right or wrong. Our values develop from a young age based on what we see & hear from parents, teachers, friend & others.

Personality: Two personality variables are found to be influential.

↳ Ego Strength: measures the strength of person's conviction. Individuals with high ego strength are more likely to do what they think is right.

↳ Locus of Control: is the degree to which people believe they control their own life.

↳ Internal locus of control: People believe they

Student takes control their own destinies. They take responsibility of their own lives & of others.

↳ External locus of control: People believe that

If person may attribute problems to them is due to luck or chance. They have no control over their own lives & are less likely to take responsibility for consequences of their behaviour & rely more on external factors. They blame economic conditions for financial difficulties.

③ Structural Variables:

- An organization's structural design can influence whether employees behave ethically.
- Structural variables that influence ethical choices include goals, performance appraisal systems and reward allocation procedure.

④ Organization's Culture,

- The content & strength of organization's culture are of influence ethical behavior.
- Because shared values can be powerful influences, many organizations are using values-based management, in which the organization's values guide employee in the way they do their jobs.
- If a culture is strong & supports high ethical standards, it has a powerful & positive influence on the decision to act ethically or unethically.

⑤ Issue Intensity:

- The six factors suggest that:
 - ① The large no. of people harmed
 - ② The more significant that the action is causing
 - ③ The greater the likelihood that the action will cause harm
 - ④ The more immediately the consequences of the action will be felt
 - ⑤ The closer the person feels to the victim
 - ⑥ The more concentrated the effect of the action on the victim is

• Whistle-blowers: Individuals who raise ethical concerns or issues to others

• Code of Ethics: A formal statement of an organization's value & the ethical rules it expects its employees to follow.

• How leadership can affect ethics?

Doing business ethically requires a commitment from top managers because they are the one who spread the shared values & set culture tone. They are role models in terms of both words & actions.

If Top managers for eg take company resources for their personal use, inflate their expense accounts or give favoured treatment to friends, they imply that such behaviour is acceptable for all employees.

• How Jobs & Performance Appraisal affect ethics?

→ If employee has job goals & a deadline meet some the pressure begins to use unethical ways like having a task he achieve some time.

→ Student assignment deadline example.

• Independent Social Audits:

→ The fear of being caught can be important deterrent to unethical behaviour. ASA, which evaluate decisions & management practices in terms of the organization's code of ethics, inc. that likelihood. An effective ethics program probably needs both.