

B0646

## Fundamentals of Management

Work environment &  
Business ethics



# Introductory case:

## To Whom Should a Company Be Responsible?



**San Bruno explosion.** This 2010 gas explosion and fire in San Bruno, California, which killed eight people, was linked to utility PG&E's low priority given to pipeline safety and high priority to its "focus on financial performance." What group should a company be most responsible to—stockholders, managers, customers, the public?

# The Triple Bottom Line

- In traditional business accounting, the “bottom line” is profit.
- Now two other elements are added to foster social and environmental consciousness.
- The triple bottom line—representing *People, Planet, and Profit* (the 3Ps)
  - ✓ An organization has a responsibility to its employees and to the wider community (People), is committed to sustainable environmental practices (Planet), and includes the costs of pollution, worker displacement, and other factors in its financial calculations (Profit).

# The Millennial - Search for Meaning

- The “millennial” generation
  - Generation Y: born 1977–1989,
  - Generation Z: born 1990–2000.
- They are reported being less focused on **financial success** than they are on **making a difference**.
- Two factors in achieving a meaningful life:
  - The environment in which a manager operates—the community of stakeholders inside and outside the organization.
  - The ethical and social responsibilities of being a manager.

*Stakeholders*: the people whose interests are affected by an organization's activities.

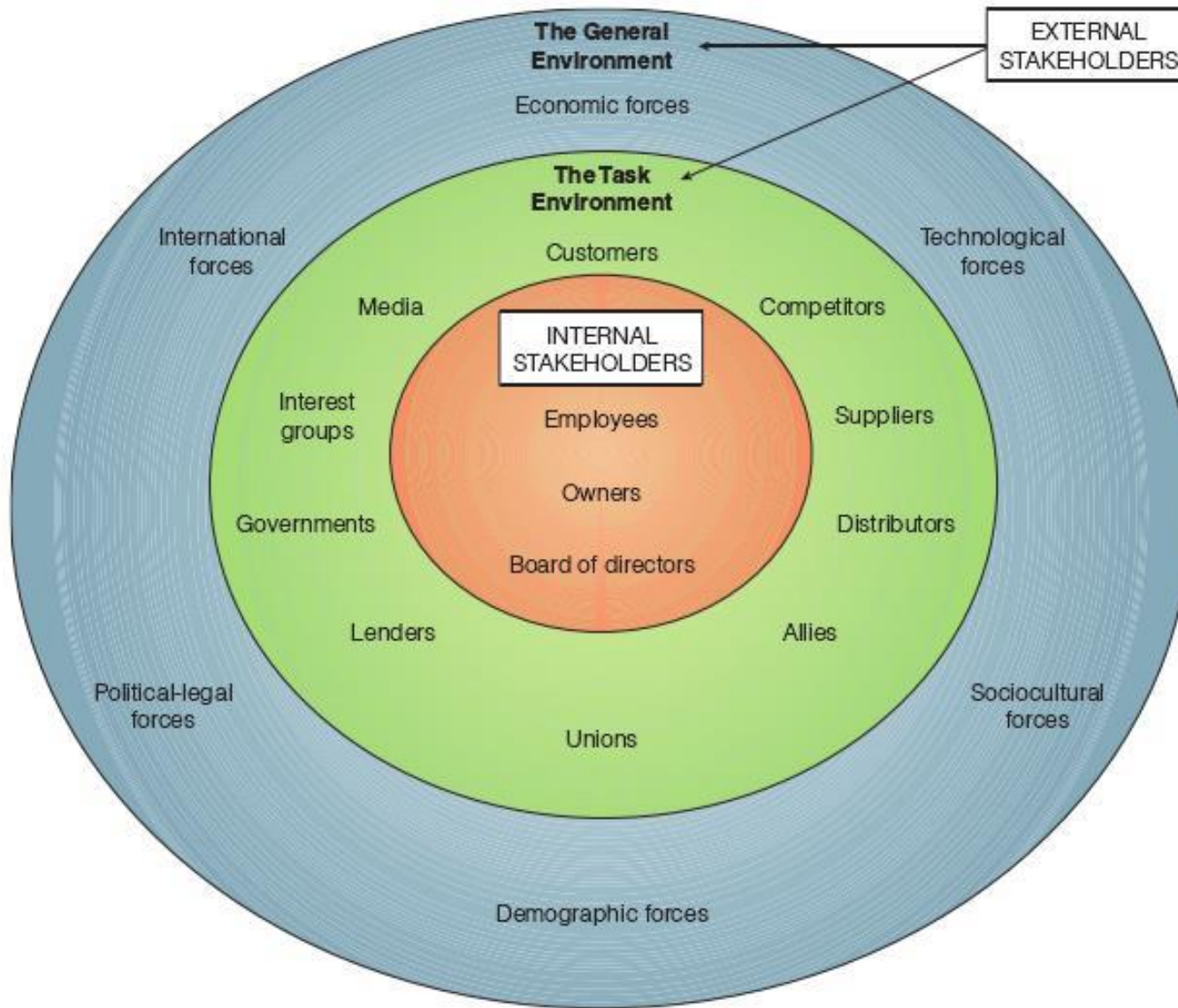
Please list 5-8 types of stakeholders of an organization.

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# The Organization's Environment



Managers operate in two organizational environments

- Internal stakeholders
- External stakeholders
- The task environment
- The general environment

# Internal Stakeholders

- Internal stakeholders: employees, owners, and the board of directors
- 1. Employees are considered “the talent”—the most important resource.
- 2. The owners of an organization consist of all those who can claim it as their legal property
  - ✓ *a sole proprietorship*
  - ✓ *a partnership*
  - ✓ *a privately owned company*
  - ✓ *joint owners*
  - ✓ *a stockholder*

### 3. Board of directors hire the chief executive of an organization.

- In a corporation, board of directors are elected by the stockholders to see that the company is being run according to their interests.
- In nonprofit organizations, they may be called the board of trustees or board of regents.
- Not all firms have a board of directors.
- Inside directors usually are top executives of the firm
- Outside directors are elected from outside the firm



# The Task Environment

- *customers*
- *competitors*
- *suppliers*
- *distributors*
- *strategic allies*
- *employee organizations*
- *local communities*
- *financial institutions*
- *government regulators*
- *special-interest groups*
- *mass media*

1. Customers— who pay to use an organization's goods/services.
  - Many customers value service over price
2. Competitors—people or organizations that compete for customers/resources
  - Every organization has to be actively aware of its competitors.
3. Suppliers—people or organizations that provide supplies.
  - Suppliers in turn have their own suppliers.
4. Distributors —people or organizations that help other organizations sell its goods/services to customers.
  - In industries (e.g., movie theaters and magazines) with less competition, distributors have a lot of power over the price.
  - Internet has allowed manufacturers to cut out the “middleman”

5. Strategic allies—two organizations who join forces to achieve advantages neither can perform as well alone.

- Many customers value service over price

6. Employee Organizations

- Unions represent hourly workers
- Professional associations represent salaried workers.

7. Local Communities

8. Financial Institutions—banks, savings and loans, and credit unions

9. Government regulators—regulatory agencies that establish ground rules under which organizations may operate

10. Special-interest groups—groups whose members try to influence specific issues

11. Mass Media—print, radio, TV, and the Internet

# The General Environment/Macro-environment

- *Economic force*
- *Technological force*
- *Sociocultural force*
- *Demographic force*
- *Political-legal force*
- *International force*

- 1. Economic forces: **general economic conditions and trends** (e.g., unemployment, inflation, interest rates, economic growth)
- 2. Technological forces: **new developments in methods for transforming resources into goods or services.**
- 3. Sociocultural forces: **influences and trends originating in a country's, a society's, or a culture's human relationships and values** that may affect an organization.

- 4. Demographic forces: influences on an organization arising from changes in the characteristics of a population (e.g., age, gender, or ethnic origin).
- 5. Political-legal forces: changes in the way politics shape laws and laws shape the opportunities for and threats to an organization.
- 6. International forces: changes in the economic, political, legal, and technological global system that may affect an organization.

# Business ethics

- Choosing between *economic performance* and *social performance*.
- Deciding whether to pursue a course of action that may benefit you or your organization but that is unethical or even illegal.



- Ethics: **the standards of right and wrong** that influence behavior.
- **These standards may vary among countries and among cultures.**
- Ethical behavior: the behavior that is accepted as “right” as opposed to “wrong” according to those standards.
- *What are the differences among a tip, a gratuity, a gift, a donation, a commission, a consulting fee, a kickback, a bribe?*
  - *Regardless of the amount of money involved, each one may be intended to reward the recipient for providing you with better service, either anticipated or performed.*



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**Sunshine on gifts.** Some doctors say that medicine changes so rapidly that they rely on drug companies and fellow M.D.'s to keep them up to date, as through presentations at medical society dinners financed by pharmaceutical companies. However, the Physician Payments Sunshine Act now requires that pharmaceutical companies report meals, travel expenses, grants, lecture fees, drug samples, and other gifts to physicians. Do you think such disclosures are necessary?

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# Values

- Value system: the pattern of values within an organization.
- Values: the relatively **permanent and deeply held underlying beliefs and attitudes** that help determine a person's behavior.
  - *Fairness: hiring according to ability, not family background.*
- Organizations' value systems may conflict.
  - The value system stressing financial performance vs. employee relationships.

# Approaches to Deciding Ethical Dilemmas

## 1. The Utilitarian Approach: For the Greatest Good

- What will result in the greatest good for the greatest number of people

## 2. The Individual Approach: For Your Greatest Self-Interest

- What will result in the individual's best long-term interests, which ultimately are in everyone's self-interest

## 3. The Moral-Rights Approach: Respecting Fundamental Rights

- What will be the fundamental rights of human beings, such as those expressed in a country's Constitution

## 4. The Justice Approach: Respecting Impartial Fairness

- What will be the impartial standards of fairness and equity

# Example of White-Collar Crimes

- Insider trading - the illegal trading of a company's stock by people using confidential company information.
- Ponzi scheme - using cash from newer investors to pay off older ones.

# Levels of Moral Development

- Level 1, **preconventional**—follows rules.
- Level 2, **conventional**—follows expectations of others.
- Level 3, **postconventional**—guided by internal values.

# How Organizations Can Promote Ethics?

- 1. Creating a Strong Ethical Climate
  - An ethical climate represents employees' perceptions about the extent to which work environments support ethical behavior.
- 2. Screening Prospective Employees
- 3. Instituting Ethics Codes & Training Programs
  - A code of ethics consists of a formal written set of ethical standards guiding an organization's actions.
- 4. Rewarding Ethical Behavior: Protecting Whistle-Blowers
  - A whistle-blower is an employee, or even an outside consultant, who reports organizational misconduct to the public



## Optional Self-reflect Question:

Have you ever thought about blowing the whistle on something you thought was unethical or illegal?

-If yes, please describe it

If you're interested, please submit your answer to the module liaison.