



# Chapter 2

## Ethics and Social Responsibility: Doing the right thing

# What is Ethics?

- **Stakeholders:** the various groups and individuals who affect and are affected by a business.
- **Ethics:** a branch of philosophy that studies and creates theories about the basic nature of right and wrong, duty, obligation, and virtue.
- **Social responsibility** how an organization responds to the needs of the many elements in society.
- **Business ethics** the fundamental moral values and behavioral standards that form the foundation for the people of an organization as they make decisions and interact with stakeholders.

# Three Levels of Ethical Standards

1. **The law**, which defines for society as a whole those actions that are permissible and those that are not.
2. **Organizational policies and procedures**, which serve as specific guidelines for people as they make daily decisions.
3. **The moral stance** that employees take when they encounter a situation that is not governed by levels 1 and 2.

# Moral Management

- Although companies may set ethical standards and offer guidelines for employees, the ultimate decision on whether to abide by ethical principles rests with the individual. In other words, companies really are not ethical or unethical; individuals are.
- Three ethical styles of management: immoral, amoral, and moral management:
- **IMMORAL MANAGEMENT** :The driving force behind immoral management is greed: achieving personal or organizational success at any cost

# Moral Management

- **AMORAL MANAGEMENT** The principal goal of amoral managers is to earn a profit, but their actions differ from those of immoral managers in one key way: They do not purposely violate laws or ethical standards
- **MORAL MANAGEMENT** Moral managers also strive for success but only within the boundaries of legal and ethical standards.

# Reasons to Run a Business Ethically

- Top Five Reasons to Run a Business Ethically

1. Protect brand and company reputation
2. It is the right thing to do
3. Maintain customers' trust and loyalty
4. Maintain investors' confidence
5. Earn public acceptance and recognition

# Factors That Drive Business Ethics

1. Corporate scandals
2. Marketplace competition
3. Demands by investors
4. Pressure from customers
5. Globalization



# Ethical Framework

- Establishing an Ethical Framework
- Step 1: Identify the personal moral and ethical principles that shape all business decisions.
- Step 2. Recognize the ethical dimensions involved in the dilemma or decision
- Step 3. Identify the key stakeholders involved and determine how the decision will affect them
- Step 4. Generate alternative choices and distinguish between ethical and unethical responses.
- Step 5. Choose the “best” ethical response and implement it



# Why ethical lapses occur?

- An Unethical Employee
- An Unethical Organizational Culture
- Moral Blindness
- Competitive Pressures
- Opportunity Pressures
- Globalization of Business



# Establishing Ethical Standards

- The utilitarian principle.
- Kant's categorical imperative.
- The professional ethic
- The Golden Rule.
- The television test.
- The family test



# Maintaining Ethical Standards

- SET THE TONE
- CREATE A COMPANY CREDO
- ESTABLISH HIGH STANDARDS OF BEHAVIOR
- INVOLVE EMPLOYEES IN ESTABLISHING ETHICAL STANDARDS
- CREATE A CULTURE THAT EMPHASIZES TWO-WAY COMMUNICATION
- ELIMINATE “UNDISCUSSABLES.”
- DEVELOP A CODE OF ETHICS: a written statement of the standards of behavior and ethical principles a company expects from its employees.

# Maintaining Ethical Standards

- ENFORCE THE CODE OF ETHICS THROUGH POLICIES
- RECRUIT AND PROMOTE ETHICAL EMPLOYEES
- CONDUCT ETHICS TRAINING
- REWARD ETHICAL CONDUCT
- PERFORM PERIODIC ETHICAL AUDITS

# Social Responsibility

- The awareness by a company's managers of the social, environmental, political, human, and financial consequences its actions produce.



# Social Responsibility

- The concept of social responsibility has evolved from that of a nebulous “do-gooder” to one of “social steward” with the expectation that businesses will produce benefits not only for themselves but also for society as a whole. Society is constantly redefining its expectations of business and now holds companies of all sizes to high standards of ethics and social responsibility. Companies must go beyond “doing well”—simply earning a profit—to “doing good”—living up to their social responsibility

# Business has a social responsibility to

- Environment
- Employees
- Society



# Responsibility to environment

focus on the three R's: reduce, reuse, and recycle:

- **Reduce** the amount of energy and materials used in your company, from the factory floor to the copier room.
- **Reuse** whatever you can.
- **Recycle** the materials that you must dispose of.



# Responsibility to employees

- Diversity
- Drug testing
- Sexual Harassment

