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Social Responsibility and Business Ethics



by Milad Pira

Main Objectives

- 1-1** Define the concept of social responsibility
- 1-2** Trace the development of social responsibility
- 1-3** Examine the global nature of social responsibility
- 1-4** Discuss the benefits of social responsibility
- 1-5** Introduce the framework for understanding social responsibility

Define Social Responsibility in 1-3 words

focus leader
creative
fast bold
inspiration transpiration

Mentimeter

Choose a slide to present

Define Social Responsibility in 1-3 words

Menti

Define SR

What is Social Responsibility?



Businesses' Responsibilities

Providing quality services while treating employees with dignity



Beyond Self-Interest

Contributing to societal well-being beyond corporate interests



Community Connection

Recognizing businesses as integral parts of a larger social ecosystem

What is Social Responsibility?

“a strategic focus for fulfilling economic, legal, ethical, and philanthropic responsibilities, can also be referred to as corporate social responsibility (CSR)”



Social Responsibility Applies to Everyone

Nonprofit Organizations

Nonprofit organizations are expected to be socially responsible and serve their missions effectively. They must be transparent and accountable in their operations.

Government Agencies

Government agencies are expected to uphold the common good and act in an ethical and responsible manner. They should be fair and impartial in their decisions and actions.

Small Businesses

Small businesses may have a greater impact on their local communities. They should be mindful of their social and environmental responsibilities and contribute to the well-being of their communities.



Integrating Social Responsibility into Business

1 Alignment with Culture

Social responsibility initiatives should be aligned with the company's corporate culture and values.

2 Integrated Goals

They should be integrated with companywide goals and plans to ensure they are sustainable and impactful.

3 Communication

Social responsibility initiatives should be fully communicated within and outside the company.

4 Measurement

Their effectiveness and strategic impact should be measured regularly.

Building a Culture of Social Responsibility

1

Leadership Commitment

Strong leadership commitment to social responsibility is essential.

2

Values and Principles

Companies must integrate social responsibility into their core values and principles.

3

Stakeholder Engagement

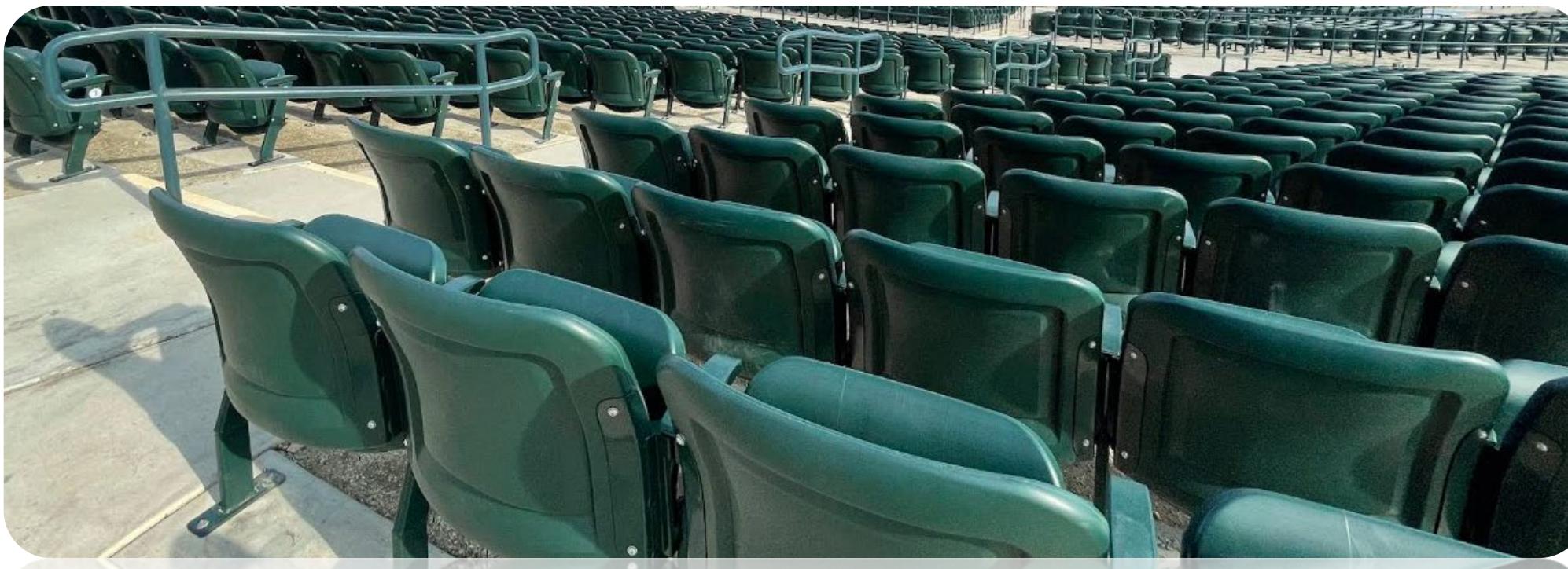
Regular stakeholder engagement and feedback are vital to success.

4

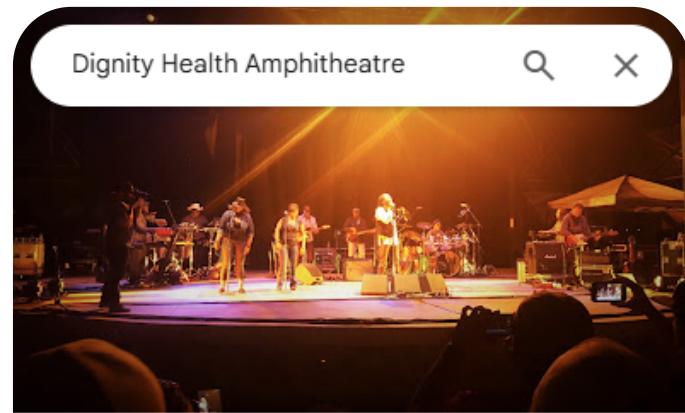
Measurement and Reporting

Companies must track and report their social responsibility progress.









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The Four Stages of Corporate Social Responsibility

Table 1.2 Social Responsibility Requirements

Stages	Examples
Stage 1: Financial Viability	Starbucks offers investors a healthy return on investment, including paying dividends.
Stage 2: Compliance with Legal and Regulatory Requirements	Starbucks specifies in its code of conduct that payments made to foreign government officials must be lawful according to the laws of the United States and the foreign country.
Stage 3: Ethics, Principles, and Values	Starbucks offers healthcare benefits to part-time employees and supports coffee growers so they get a fair price.
Stage 4: Philanthropic Activities	Starbucks created the Starbucks Foundation to award grants to eligible nonprofits and to give back to their communities.

Economic Responsibility

The first stage is economic responsibility, where businesses are primarily focused on **being profitable**. They are expected to produce goods and services that meet market demand and generate profits for their stakeholders.

Legal Responsibility

The second stage is legal responsibility, where businesses are expected to **comply with all applicable laws and regulations**. This includes paying taxes, adhering to labor laws, and respecting intellectual property rights.

Ethical Responsibility

The third stage is ethical responsibility, where businesses are expected to **go beyond the law and act in a morally responsible way**. This includes treating employees fairly, protecting the environment, and avoiding unethical practices.

Philanthropic Responsibility

The fourth stage is philanthropic responsibility, where businesses are expected to **contribute to society and make a positive impact on the community**. This includes supporting charitable causes, sponsoring community events, and investing in education and development.



For seven years the Ford Motor Company sold cars in which it knew hundreds of people would needlessly burn to death.

Scenario: Ford Motor Company was aware of a dangerous design flaw in the Pinto's fuel tank. In rear-end collisions, the fuel tank could rupture and cause a fire, leading to injuries and deaths.

Legally: At the time, the Pinto's design didn't technically violate existing government safety regulations for fuel tank placement.

Ethically: Ford conducted a cost-benefit analysis. They calculated that it would be more expensive to modify the fuel tank design (at an estimated \$11 per vehicle) than to settle potential lawsuits from injuries and deaths caused by the defect. This decision prioritized financial savings over human safety.

Stakeholder Orientation

“the aim to benefit all parties affected by the success or failure of an organization”

Resource-advantage theory

“a theory stating that the value of a resource is viewed relative to its potential to create **competitive differentiation or customer value**”



Stakeholder Orientation in Social Responsibility



Customers

Businesses have a responsibility to provide customers with safe and reliable products and services that meet their needs.



Employees

Businesses have a responsibility to treat employees fairly, provide them with a safe and healthy work environment, and offer opportunities for development and growth.



Investors

Businesses have a responsibility to provide investors with accurate and timely information about their financial performance and to manage their resources responsibly.



Suppliers

Businesses have a responsibility to build ethical relationships with suppliers and to ensure that they operate in a responsible manner.



Government

Businesses have a responsibility to comply with all applicable laws and regulations and to work with government agencies to promote responsible business practices.



Communities

Businesses have a responsibility to be good neighbors and to contribute to the well-being of their local communities.



Stockholders

Businesses have a fundamental responsibility to their stockholders, which includes ensuring financial growth, maintaining transparency, and upholding ethical standards.

BLOG POST

Big Tech is Donating Millions to Trump's Inauguration

Published: Jan 10, 2025

Donald Trump has raised the most money in history for an inauguration, raising serious questions about money in politics.

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RELATED ISSUES

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**What's happened:**

Since Election Day, President-elect Donald J. Trump's allies have raised [well over \\$200 million](#) for a constellation of groups that will fund his inauguration, political operation, and, eventually, presidential library.

Why it matters:

This is the most money ever raised for an inauguration, raising serious questions about money in politics. These donations—which aren't covered by campaign finance law and can be unlimited—signal [a desire to curry favor](#) with the administration.

The tech sector is seeking policies favorable to artificial intelligence and cryptocurrency. Artificial Intelligence, or AI, poses a direct threat to our democracy, leaving us vulnerable to deepfakes and disinformation.

Who has donated:

Corporations and CEOs in tech, AI, and cryptocurrency [have donated millions](#), including:

▶ **Amazon:** \$1 million



Recent Developments in Social Responsibility

1 Global Recession

The global recession of 2008-2009 led to increased scrutiny of business practices and a greater emphasis on social responsibility.

2 COVID-19 Pandemic

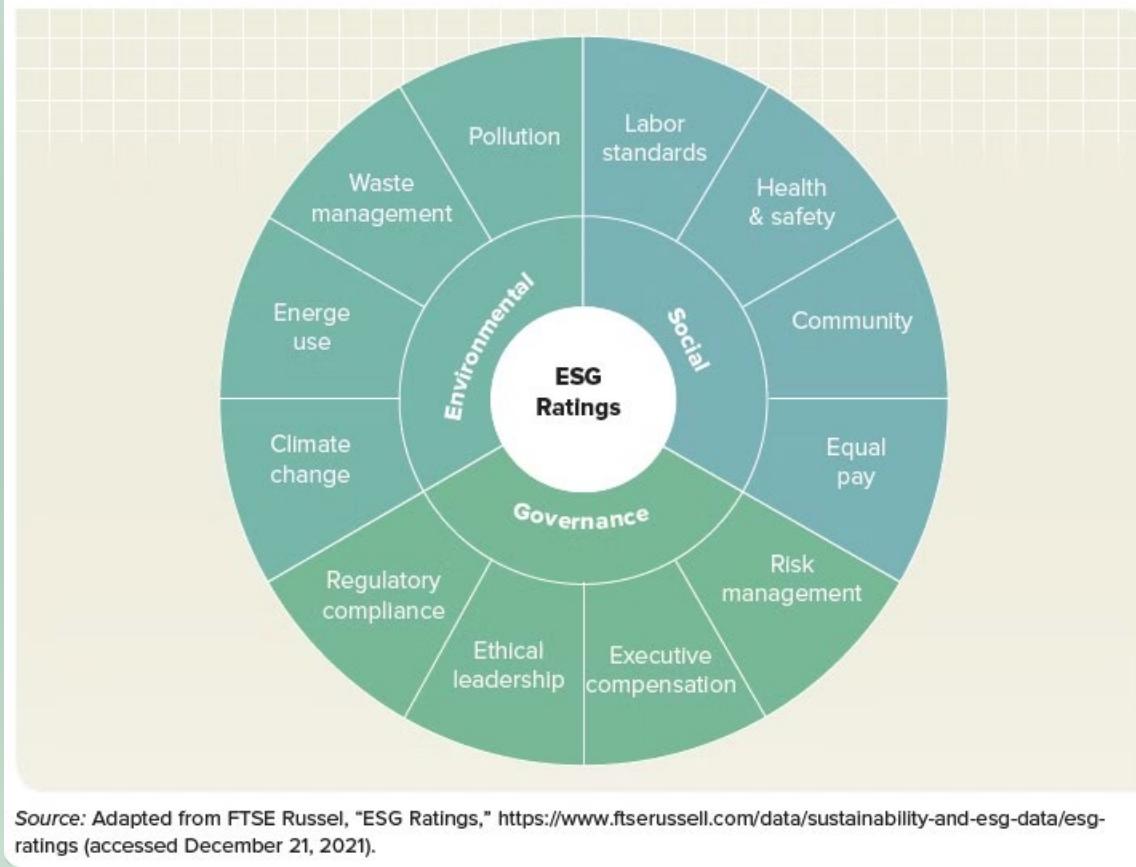
The COVID-19 pandemic brought social responsibility to the forefront in 2020 and beyond, highlighting the importance of companies protecting stakeholders during times of crisis.

3 ESG Framework

The rise of the environmental, social, and governance (ESG) framework has become a key driver of social responsibility in business.



Figure 1.3 ESG Framework Example



The Rise of ESG

Environmental, social, and governance (ESG) is a framework for evaluation of firm performance in the areas of environmental, social, and governance.

ACTIVITY

Scenario: Eco-Clean, a manufacturer of environmentally friendly home appliances, is preparing to launch a new line of energy-efficient dishwashers. During the final testing phase, engineers discover a potential defect: under specific (but unlikely) conditions, the appliance's heating element could overheat and pose a minor fire hazard.

Legally: The dishwasher design meets all existing government safety regulations for electrical appliances.

Ethically: The company conducts internal discussions about the findings. There are two main perspectives:

- **Option A:** Modify the design. This would involve a slight redesign and component change, costing an estimated \$50 per unit. This would delay the product launch and decrease profit margins, but it would completely eliminate the potential fire hazard.
- **Option B:** Proceed with the current design. This would allow the company to launch the product on schedule and maximize profits. The potential hazard is considered low-risk, and the company believes it is unlikely to lead to serious harm or legal liability.

In your groups, discuss the following questions, considering the legal and ethical implications of each option:

1. **What are the potential consequences of each option (A and B)? Think about financial impacts, reputational damage, and potential legal issues.**
2. **Which option should Eco-Clean choose, and why? Justify your decision based on ethical principles and business considerations.**

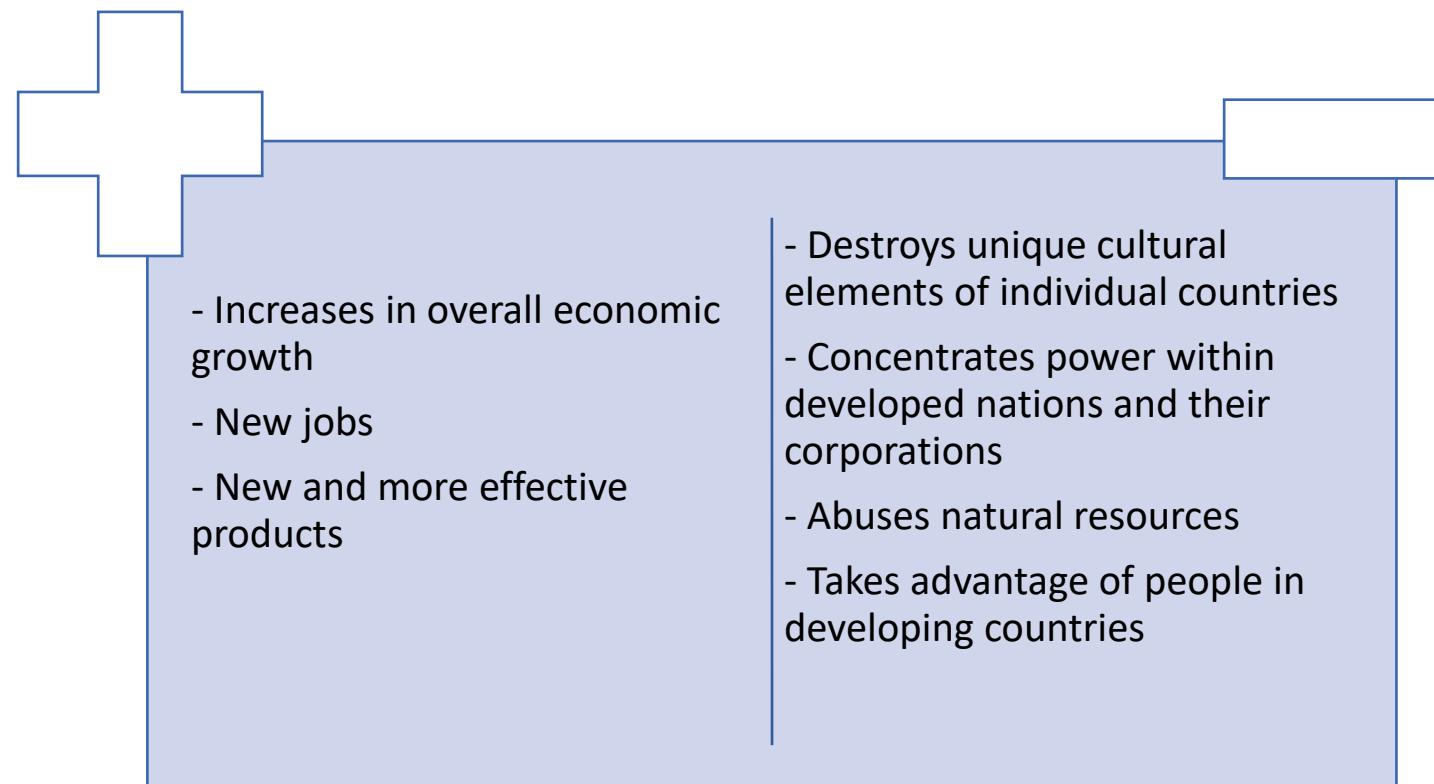
Global Social Responsibility

The increasing globalization of business has made social responsibility an international concern. Companies must operate ethically and responsibly in all of their global operations.

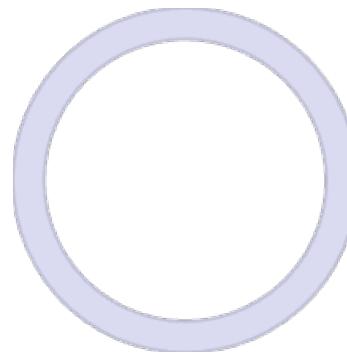


The Potential of Social Responsibility

Social responsibility holds much greater potential than its critics think, and much more disruptive than its advocates admit. It has the power to transform businesses and society for the better.

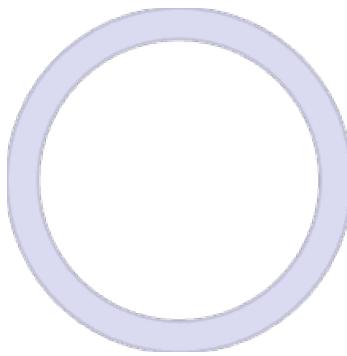


Global Social Responsibility in Action



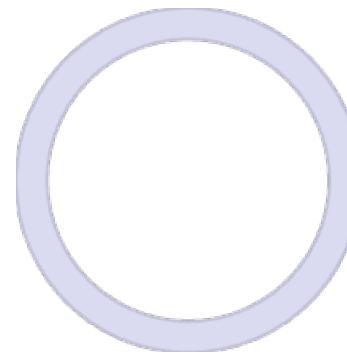
Shared Bottom Line

The partnership between businesses, communities, government, customers, and the natural environment leads to a shared bottom line.



Cosmopolitan Citizens

Business leaders become cosmopolitan citizens by harnessing their leadership skills, global connections, resources, and beliefs in human rights.



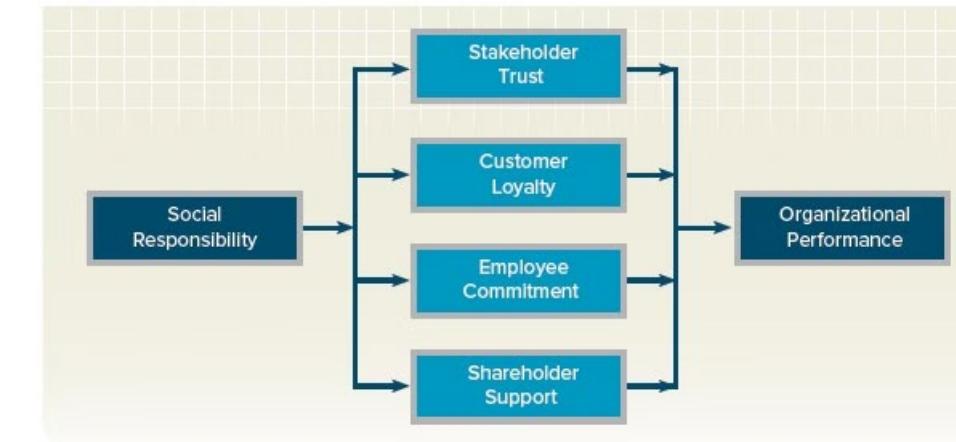
Global Collaboration

Businesses, governments, trade associations, and other groups work together to advance global social responsibility.

Benefits of Social Responsibility



Figure 1.4 The Role of Social Responsibility in Performance



Benefits of Social Responsibility

Figure 1.4 The Role of Social Responsibility In Performance

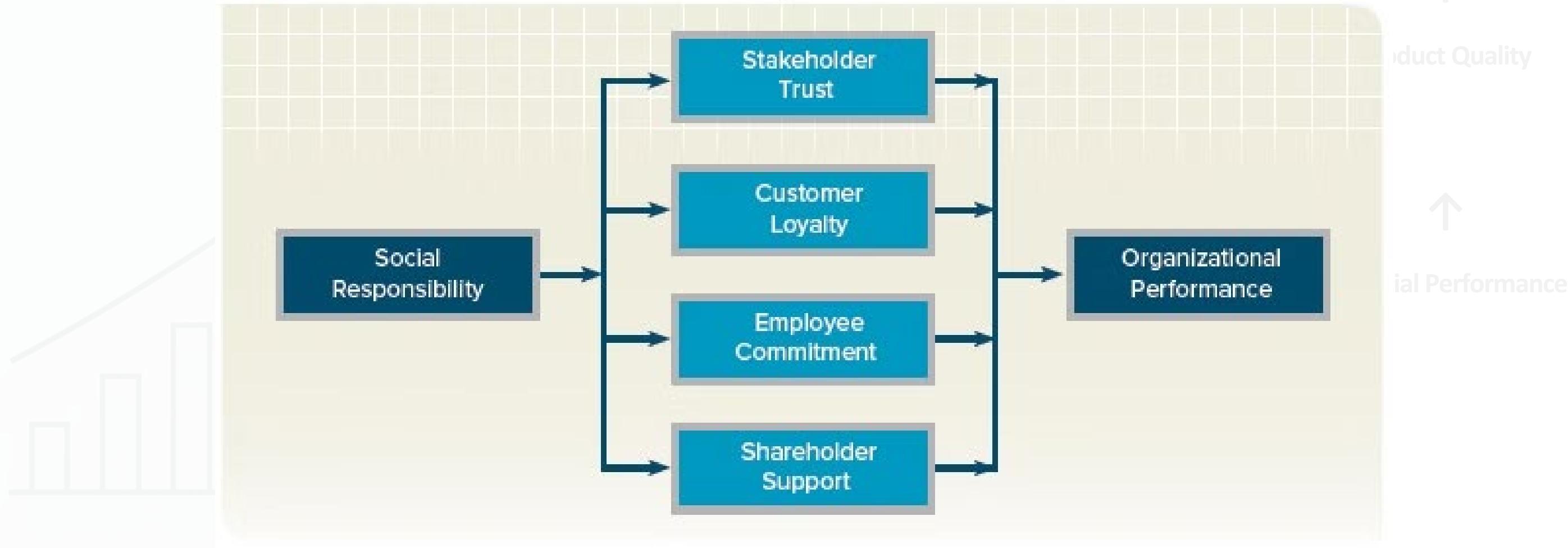


Table 1.5 Indicators of Support, Trust, and Transparency

Employees believe that top management is open and honest.
Employees feel that they can openly disagree with their supervisor or raise issues of concern without fear of retaliation.
Managers talk about values frequently and make them a regular and public part of business decision-making.
Supervisors care about their employees as people.
Top managers do the right thing, even if it means that the company loses money, business, and/or clients.

Source: Ethics & Compliance Initiative, "Building Companies Where Values and Ethical Conduct Matter," <https://43wli92bfqd835mbif2ms9qz-wpengine.netdna-ssl.com/wp-content/uploads/2018/10/Q3GBESFinal.pdf> (accessed July 31, 2019).

Stakeholder Trust

- The glue that holds organizations together
 - Allows focus on efficiency, productivity, and profits
- Low trust results in organizational decay and relationship deterioration
 - Trusting relationships between managers and their subordinates and between peers contribute to greater decision-making efficiencies



Employee Commitment and Social Responsibility

- 1
- 2
- 3

Empowerment

Employee commitment stems from employees who are empowered with training and autonomy.

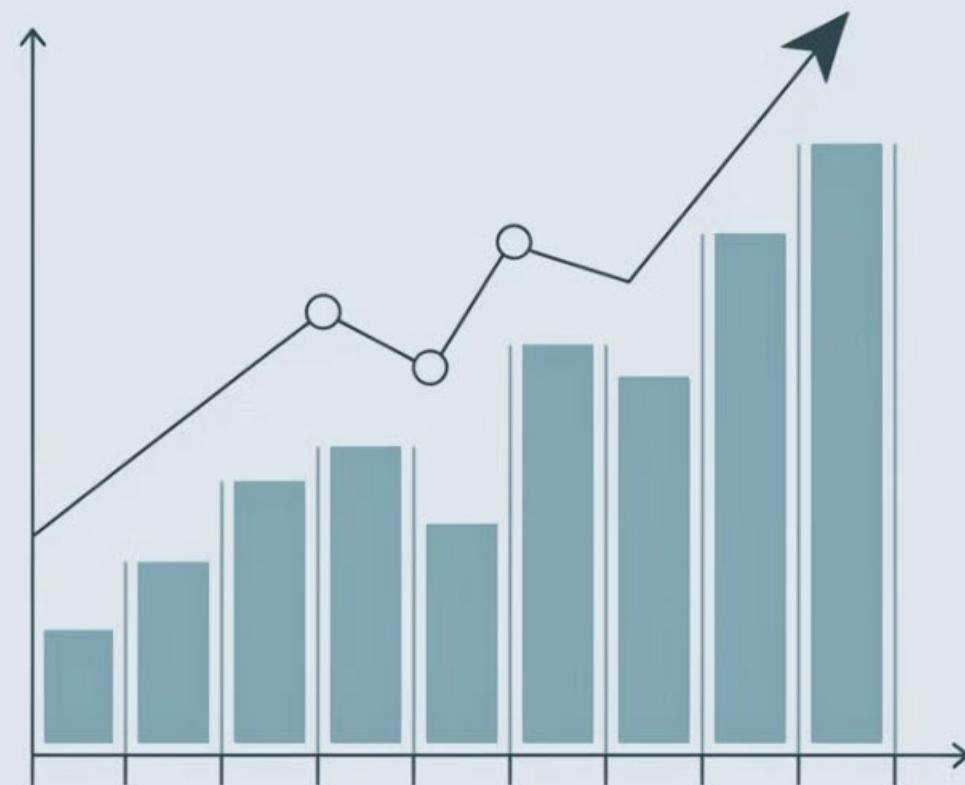
Value for Employees

If firms fail to provide value for their employees, loyalty and commitment suffer.

Social Responsibility

Companies with a strong commitment to social responsibility tend to have higher employee commitment.

The Bottom Line: Profits



Studies have identified a positive relationship between social responsibility and financial performance. Companies with strong efforts and results in social responsibility are generally not penalized by market forces.

Social responsibility is positively associated with:

- Return on investment
- Return on assets
- Sales growth

*

ESG



WSJ

1. Describe the three components of ESG.

2. Why is there rising interest in ESG funds?

3. Why are ESG funds under scrutiny?