# midterm

* must be between 4-6 people in a group
* paper must have:
  + organization of the answer
  + depth of the answer
  + diction

# Class agenda

* Present your article
  + Every other week in the new York times
* Group study on case
* Group chapter discussion
* Break
* Teacher discusses case
* The final test:
  + Is a typical college test
  + Will be 10 questions
* The midterm
  + He will give us a case, and we are required to answer the questions
* Final project
  + Request authorization for a topic concerning ethics
  + Write a paper 3-5 pages
  + Give a formal presentation without notes that describes how the issues effect the economy
    - Check the syllabus

# Chapter 1; study of business government and society

## Exxonmobile 1

## What is the business, government society field

* Business: profit making activity that provides products and services to satisfy human needs
* Government: structures and processes in society that authoritatively make and apply policies and rules
* Society: a network fo human relations composed of ideas, institutions, and material things
* Idea: an intangible object of thought
* Value: an enduring belief about which fundamental life choices are correct
* Ideology: a bundle of values that creates a particular view of the world
* Institution: a formal pattern of relations that links people to accomplish a goal
* Figure 1.1: how institutions supports markets
  + Regulatory: protect the public and investors from dishonesty, danger, and fraud
  + Political: make economic policy, collect taxes, provide social safety nets, check and balance business power
  + Cultural: impart values, habits, and norms in family, religious, or educational institutions
  + Media: inform the public and stimulate commerce with advertising
  + Corporations: combine capital and labor, encourage risk by limiting liability, and have continuity beyond individual lives
  + Financial: mobilize capital for saving, borrowing, and lending
  + Judicial: protect property rights, encourage investment by making dispute resolution predictable

## Why is the BGS field important to managers

* Material things: tangible artifacts ofa society that shape and are shaped by ideas and institutions
* Social contract: an underlying agreement between business and society on basic duties and responsibilities business must carry out to retain public support. It may be reflected in laws and regulatinos

## Four models of the BGS relationship

### The market capitalism model

* The market economy: the economy that emerges when people move beyond subsistence production to production for trade, and markets take ona more central role
* Capitalism: an economic ideology with a bundle of values including private ownership o means of production, the profit motive, free competition, and limited government restraint in markets
* Figure 1.2
  + The market capitalism model: sociopolitical environment surrounds the market environment surrounds the business environment
* Managerial capitalism: a market economy in which the dominant businesses are large firms run by salaried managers, not smaller firms   
  run by owner-entrepreneurs
* Laissez-faire: an economic philosophy that rejects government intervention in markets

### The dominance model

* Environmental forces pushes down on business-government, while the masses pushes up on business-government
* Populism: a political pattern, recurrent in world history, in which common people who feel oppressed or disadvantaged seek to   
  take power from a ruling elite seen as thwarting fulfillment of the collective welfare
* Marxism: an ideology holding that workers should revolt against property owning capitalists who exploit them, replacing   
  economic and political domination with more equal and democratic socialist institutions

### The countervailing forces model

* Four forces that collide in an intersection
  + Environmental catalysts: markets, geopolitics, ideologies, movements, technology, nature, wars, terrorism, information media
  + Business: products, services, use of technologies, public relations, campaign donations, government service by executives, lobbying, philanthropy, constitutions, laws and statutes, regulations, political parties, political leaders, judiciaries,
  + The public: cultural values, public opinion, voting, interest groups, market demands, social classes, demographic change

### The stakeholder model

* An entity that is benefitted or burdened by the actions of a corporation or whose actions may benefit or burden the corporation. The corporation has an ethical duty toward these entities
* Primary stakeholders: entities in a relationship with the corporation in which they, the corporation, or both are affected immediately, continuously, and powerfully
  + E.g. governments, stockholders, communities, employees, customers
* Secondary stakeholders: entities in a relationships with the corporation in which the effects on them, the corporation, or both are less significant and pressing
  + E.g. religious groups, earths biosphere, political parties, unions, creditors, future generations, the poor, educational institutions, media, competitors, suppliers, trade associations, political interest groups,

## Our approach to the subject matter

* Strategic management: actions take by managers to adapt a company to changes in its market and sociopolitical environments
* Theory: a statement or vision that creates insight by describing patterns or relationships in a diffuse subject matter. A Good theory is concise and simplifies complex phenomena
* History: the study of phenomena moving through time

# Chapter two: the dynamic environment

* Scenario: a plausible story of the future based on assumptions about how current trends might play out
* Liberalization an economic policy of lowering tariffs and other barriers to encourage foreign trade

## Deep historical forces at work

* Historical forces: great leaders, chance, industrial revolution, inequality, population growth, technology, globalization, nation-states, dominant ideologies,
  + An environmental force of unknown origin and mysterious action that provides the energy for events.
* Industrial revolution: an economic metamorphosis in England in the late 1700s. it occurred when certain necessary conditions were present and shifted the country from a simple agrarian economy into a growing industrial economy
* Gini index: a statistical measure of inequality in which zero is perfect equality and 100 is absolute inequality
  + Since 1820, world poverty has gone down, but the Gini index has gone up (less equality)
* Replacement fertility rate: the number of children a women must have on average to ensure that one daughter survives to reproductive age
* Waves of innovation since the beginning of the industrial revolution
  + 1785>1845: 60 years, water power, textiles, iron
  + 1845>1900: 55 years, steam, rail, steel
  + 1900>1950: 50 years, electricity, chemicals, internal-combustion engine
  + 1950>1990: 40 years: petrochemicals, electronics, aviation
  + 1990>2020: 30 years, digital networks, software, new media, biotechnology
* Globalization: the creation of networks of human interaction that span worldwide distances
* Nation-state: an international actor having a ruling authority, citizens, and a territory with fixed borders
* Ideology: set of reinforcing beliefs and values that constructs a worldviews

## Six external environments of business

* Government, technology, economy, law, culture, nature
* Trade liberalization: a philosophy in which nations promote trade by easing restrictions, including both tariff and non-tariff barriers. This philosophy sometimes called simply liberalization, is the bedrock of economic globalization
* Foreign direct investment: capital investment by private firms outside their home countries
* Nanotechnology: technology that is developed on the scale of a nanometer, which is one-billionth of a meter
* Wiki: a web site open to collaborative editing by multiple individuals
* Culture: a system of shared knowledge, values, norms, customs, and rituals acquired by social learning
* Post materialist values: values based on assumptions of security and affluence, for example, tolerance of diversity and concern for the environment
* Democracy: a form of government requiring three elements: popular sovereignty, political liberty, and majority rule
* Soft law: voluntarily adopted guidelines for corporate behavior derived from emerging norms and standards in international code, declarations, and conventions

## Concluding observations

* The internal environment: employees, directors, owners, corporate culture, managers
* The corporations internal environment is affected by the current business environment, which is affected by deep historical forces

## Chapter 2 story

* Campaign against KFC corporation

# Chapter 3 (due last week)

## Class notes

* Read Duke (pg 55-57)
* Power: the ability to make someone do something, to compel, to force you to do an act
  + Business power is the samething, but how does business have power to make us do things
  + Spheres of corporate power
* Elite dominance: not only do certain companies run the show, but only a few people in those companies run the show

## Case: john d. Rockefeller and the standard oil trust

* John d Rockefeller: founder of the standard oil company
  + He became the richest man in America, and for a time, the most hated
  + Rockefeller built his fortune in an era that lacked many of today’s ethical norms and commercial laws, an era in which the power of a corporation and its founder could be exercised with few restraints
  + Born july 8 1839
  + Father was William Rockefeller, a quack doctor who sld worthless elixers
* Early business career
  + First job was as a bookkeeper at a Cleveland firm where he meticulously examined each bill submitted and pounced on errors
  + In 1859 formed a successful partnership with two others in the produce business in Cleveland and proved himself an intense negotiator,
* Beginning of the oil business
  + He took the profits from the produce business and invested in a Cleveland petroleum refinery in which he invested 4k in 1863
  + In 1859 new drilling technology led to an oil strike, followed by a frenzied boom in drilling and refining
  + He avoid paying a profit to anyone,
    - E.g. instead of buying cooper at retail, he setup his own barrel-making factory and made them himself, purchased a forest to make staves from his own trees
    - He borrowed heavily from banks to expand, bought his partners out, and then incorporated an export sales company in new York to make the world his market
* Dynamics of the oil industry
  + During this period the oil industry was very chaotic, mainly because of overproduction in the Pennsylvania oil regions, which were the only source of crude oil
  + The price of crude fluctuated wildly, and each drop in the price of crude oil encourage constructioin of new refineries
  + By the late 1860s refining capacity was three times greater than oil production and no one made profits
  + Rockefeller invested in large-scale refineries, and cut costs relentlessly, so he still made money
  + With so many refineries, and difficulty in turning a profit, Rockefeller decided to ‘rationalize’ the oil industry by
* Rockefellers competitive strategies
  + He was a low cost, high volume producer
  + He used debt financing to expand
  + He engaged in vertical integration by making wooden barrels
  + He bought pipelines, storage tanks, and railroad tank cars
  + He strong armed the railroads:
    - No law prohibited railroads from oferring altered shipping rates
    - Railroads often granted rebates to shipps: i.e. they returned part of the freight charge after shipment
      * These rebates were usually secret and given in return for the guarantee of future business
  + He hatched a brazen plan for stabilizing the oil industry
    - In clandestine meetings, he worked out a rebate scheme between a few major refiners and the three railroads going into the Pennsylvania oil regions, called the ‘south improvement plan’
    - Railroads agreed to increase published rates for hauling oil, then rockefellers Cleveland refineries and a few others would get large rebates on each barrel shipped.
      * E.g. the regular rate would be .8 per barrel between the oil regions and Cleveland, but 2 per barrel between Cleveland and new York, thus it would cost 2.8 per barrel for any to bring a barrel of cruel into Cleveland for refining and then sending it to new York for sale
        + However, Rockefeller and his crew would get a rebate of .9
        + The refineries participated in drawbacks, i.e. payments made on the shipment of oil by competitors

Rockefeller would receive .5 of every barrel shipped to new York by his competitors

* + - * While competitors paid 2.80, rockefelelr paid only 1
    - Why did railroads agree to rockefellers scheme?
      * It removed the uncertainty of cutthroat competition, since oil traffic was guaranteed in large volume
      * The refiners provided services to the railroads including tank cars, loading facilities, and insurance
      * Railroad executives received stock in the participating refineries, giving them a stake in their success
    - Consequences of the south improvement plan
      * Nonparticipating refiners faced bloated transportation costs and would be uncompetitive
        + Either they could sell to Rockefeller and his allies
        + Or they could stand on principle and go bankrupt
      * Rockefeller intended to acquire competitor refienries, close them, or limit their capacity
        + This would give him market power to stabilize the price of both crude oil and refined products
        + And the rebates would be a formidable barrier to new entrants
* The conspiracy plays out
  + In feb 1872, the new freight rates were announced
    - This caused widespread, explosive rage in the oil regions, and although it broke no laws, it overstepped prevailing norms
    - People believed that since railroads got their right of ways from the public they had a duty to serve shippers fairly
    - Producers and refiners in the oil regions boycotted te conspirators and the railroads
  + Rockefeller, seen as the rime mover ehind the south improvement plan, was vilified in the industry and the press
    - Within a month, the weight of negative public opinion and loss of revenue caused the railroads to cve in, and they rescinded th discrimatnory rate structure
    - However, Rockefeller moved quickly, meeting one by one with rival refiners, explaining th rebate scheme and asking to buy them out offering the exact value of the business in cash, or preferably, in standard oil companys tock
    - By the time the railroads reset their rates, Rockefeller had bought 21 of his 21 cleveland competitors
* Onward the course of empire
  + Rockefeller was now 33 and very wealthy
  + He continued the strategy of horizontal integration at the refinery level by absorbing more and more of his competitors
    - As the size of standard oil increased, Rockefeller gained added leverage over the railroads
    - He granted shares of the oil traffic in return for rebates that gve him a decisive advantage
    - He conceiled many of his acquisitions, disguising the full sweep of his drive to monopoly, and these companies were the Trojan horses in his war against rival refiners
* The standard oil trust

## Question 2

* Pluralist theory: the view that business power is exercised ina society where other institutions also have great power. It is counter balanced and restricted and therefore not excessive
* Dominance theory the view that business is the most powerful institution in society, because of its control of wealth, this power is inadequately checked and therefore excessive
* Answer
  + The story shows the limits of business power to dynamic
  + It illustrates the dominance theory, the more wealth business controls, the more business it can control, and those exert influence on other spheres
    - The states tried to regulate standard oil and filed antitrust suits
    - As attacks on rockefelelr grew, the vise of government regulation tighted on his company
    - In 1911, the supreme court ordered its breakup under the Sherman antitrust act, holding that its monopoly position was an undue restraint on trade that violated the standard of reason
      * The company as given six months separate into 39 independent firms
    - The reakup consisted mainly of moving the desks of managers at 26 broadway, and was a financial windfall for Rockefeller who receives hares of stock in all the companies, and the prices of which were driven up by the frenzied public buying
    - Rockefeller earned new fortunes simply by maintaining his equity in the separate companies

## Book Notes: Business Power

* Power: the force or strength to act or to compel another entity to act
* Business power: the force behind an act by a company, industry, or sector
  + Economic power: the ability of the corporation to influence events, activities, and people by virtue of control over resources, particularly property.
  + Technological power: the ability to influence the direction, rate, characteristics, and consequences of physical innovations as they develop
  + Political power: the ability to influence governments
  + Legal power: the ability to shape laws of society
  + Cultural power: the ability to influence cultural values, habits, and institutions
  + Environmental power: the impact of a company on nature
  + Power over individuals: exercised over employees, managers, stockholders, consumers, and citizens
* Legitimacy: the rightful use of power. Its opposite is tyranny, or the exercise of power beyond right
* Dominance theory: the view that business is the most powerful institution in society, because of its control of wealth. This power is inadequately checked and, therefore, excessive
* Pluralist theory: the view that business power is exercised in a society where other institutions also have great power. It is counter-balanced and restricted and, therefore, not excessive
* The power elite: a small group of individuals in control of the economy, government, and military. The theory of its existence is associated with the American sociologist C. Wright Mills
* Pluralistic society: a society with multiple groups and institutions through which power is diffused
* Boundaries of managerial power
  + Governments and laws in all countries regulate business activity
  + Social interest groups represent every segment of global society and have many ways to restrict business: boycotts, lawsuits, picket lines, media campaigns, and lobbying for more regulation
  + Social values are transmitted across generations, reflected in public opinion, and embedded in the law
  + Markets and economic stakeholders impose strong limits

# Chapter 4 critics of business

* Agrarian society: a society with a largely agricultural economy
* Just price: a price giving a moderate profit; one inspired by fairness, not greed
* Market price: a price determined by the interaction of supply and demand
* Usury: the lending of money for interest
* Protestant ethic: the belief that hard work and adherence to a set of virtues such as thrift, saving, and sobriety would bring wealth and gods approval
* Utopia: a socially engineered model community designed to correct faults in the world so its members can find happiness
* Populist movement: a political reform movement that arose among farmers in the late 1800s. populists blamed social problems on industry and sought radical reforms such as government ownership of railroads
* Progressive movement: a turn of the twentieth century political movement that associated moderate social reform with progress. Progressivism was less radical than populism and had wider appeal
* Socialism: the doctrine of a classless society in which property is collectively owned and income from labor is equally divided among members. It rejects the values of capitalism
* Old progressive: members of a broad political and social reform movement in the early years of the twentieth century
* New progressive: members of contemporary left-leaning groups who advocate more radical corporate reform that did old-time progressives. New progressives seek to avoid being branded as liberals and try to take advantage of favorable connotations in the word progressive
* Nongovernmental organization: a term for voluntary, nonprofit organizations that are not affiliated with governments
* Civil society: a zone of ideas, discourse, and action, dominated by progressive values, that transcends national societies and focuses on global issues
* Global justice movement: a coalition of groups united by opposition to economic globalization dominated by corporate capitalism
* Neoliberalism: a word denoting both the ideology of using markets to organize society and a set of specific policies to free markets from state intrusion
* Liberalism; the philosophy of an open society in which the state does not interfere with rights of individuals
* Economic liberalism: the philosophy that social progress comes when individuals freely pursue their self-interests in unregulated markets
* Keynesianism: an economic philosophy of active state intervention to stabilize the economy and stimulate employment
* Chicago school: the name given to a group of economists and to the free market doctrine they taught. It is synonymous with neoliberalism
* Group of ight: formerly an annual meeting where eight leaders of large industrial democracies met to discuss economic issues, since replaced by an expanded group of the wealthiest nations called the group of 20, or G20

# Chapter 5: corporate social responsibility

* Corporate social responsibility: CSR: the duty of a corporation to create wealth in ways that avoid harm to, protect, or enhance societal assets
* Zone of acceptance: some (not all) radical progressives, progressive civility society, mainstream corporate managers, some (not all) free market conservatives
* Social Darwinism a philosophy of the late 1800s and early 1900s that used evolution to explain the dynamics of human society and institutions. The idea of survival of the fittest in the social realm implied that rich people and dominant companies were morally superior
* Herbert spencer: attempted a synthesis of human knowledge based on the unifying idea of evolution. When he visited the US in 1882 a grand dinner attended by 200 leading americans was held for him at delmonico’s in new York
* Trustee: an agent of a company whose corporate role puts him/her in a position of power over the fate of not just stockholders, but also of others such as customers, employees, and communities
* Service principle: a belief that managers served society by making companies profitable and that aggregate success by many managers would resolve major social problems
* Friedmanism: the theory that the sole responsibility of a corporation is to optimize profits while obeying the law
* Three concentric circles of responsibilities:
  + Inner circle: clear cut responsibility for efficient execution of the economic function resulting in products, jobs, and economic growth
  + Intermediate circle encompassing responsibility to exercise this economic function with a sensitive awareness of changing values and priorities
  + Outer circle: outlines newly emerging and still amorphous responsibilities that business should assume to improve the social environment, even if they are not directly related to specific business processes
* Market actions: responses to competitive forces in markets
* Value chain: the sequence of coordinated actions that add value to a product or service
* Civil regulation: regulation by non-state actors based on social norms or standards enforced by social or market sanctions
* Mandated actions: those required either by government regulation or civil regulation
* Voluntary actions: go beyond those compelled by law or regulation
* General principles of CSR
  + Corporations are economic institutions run for profit
  + All firms must follow multiple bodies of law
  + Managers must act ethically
  + Corporations have a duty to correct adverse social impacts they cause
  + Social responsibility varies with company characteristics
  + Managers should try to meet legitimate needs of multiple stakeholders
  + Corporate behavior must comply with an underlying social contract
  + Corporations should be transparent and accountable
* External cost: a production cost not paid by a firm or its customers, but by members of society
* Soft law: statements of philosophy, policy, and principle found in nonbinding international conventions that, over time, gain legitimacy as guidelines for interpreting the hard law in legally binding agreements
* Norm: a standard that arises over time and is enforced by social sanction or law
* Principle: a rule, natural law, or truth used a standard to guide conduct
* Codes of conduct: formal statements of aspirations, principles, guidelines, and rules for corporate behavior
* Multi-stakeholder initiative: a code-based form of civil regulation created by some combination of corporate, government, Ngo, or international organization actors
* Sustainability reporting: the practice of a corporation publishing information about its economic, social, and environmental performance
* Fair trade: the idea that ethical consumers will pay a premium for commodities from producers in developing nations who use sustainable methods
* Management standard a model of the methods an organization can use to achieve certain goals

## Chapter 5 case: jack welch

* John francisc jack became CEO of general electric, and help the position nfor 20 years until retiring in 2001
  + he transformed GE into a profitable manufacturing company dominated by the service business
* jack welch rises:
  + was born in 1935 to working class irish parents in Massachusetts
  + he started working at a GE plastics factory in 1960
  + he was extremely competitive
  + he would remove people quickly who did not impress him
* the story of general electric
  + goes back to 1879 when Thomas alva Edison and the backing of banker jp morgan started the Edison electric light company to make lightbulbs and electrical equipment
  + GE built a near monopoly in the incadenscent bulb market
* The welch era begins:
  + Welch belies that anagers msut confront reality and adapt to the world as it is, not as they wish it to be
  + Welch watned every GE business to be the number one or number two player in its industry, if it failed this test itw oudl be fixed, closed, or sold
  + Said all GE businesses would have to fit into one of three areas: core manufacturing, technology, or services
  + He closed 73 plants, sold 232 businesses, and eliminated 132k workers from GE payrolls
  + He bought hundreds of other businesses large and small
  + Welch attacked the GE bureaucracy, he said there were too many vice presidents, too many layers, and too many staffs with authority to review and approve decisions
  + Welch introduced the practice of workout sessions
    - Employees in every GE business ahd an opportunity tconfront their bosses to express frustration with beaurecratic practices adnn suggest more efficient alternatives
* Differentiation:
  + Welch is convinced that having the right people in management positiosn is the single most important cause of success ina business
  + He genersously rewarded managers who achieved performance goals and got rid of those who missed them
  + 4 Es of GE: energy, energize, edge execute
  + Welch compared people to plants: if they grow, you have a beautiful garden, if they don’t, you cut them out
* An assessment of the welch years
  + Even with fie stock pslits, earnings per share rose from .46 in 1981 to 1.07 in 2000
  + In 2000 ge reported a net operating margin of 19 percent and earned 27 percent on investe capital
  + During his last 4 years, he made more than 400 acquisitions
  + Welch wrung profits from GE by creating performance culture
  + In his last year the GE board awarded him a special bonus, bringing his yearly compensation to 174 million
* Loss of jobs
  + Welch was cateogirzed as a ruthless job cutter
  + Welch remodeled GE and there were mass layoffs
  + Within a few years, one of every 4 employees was gone
  + Welch believed that the idea of loyalty in GEs culture retarded change, so he rooted it out
  + He instructed staff never to use the word loyalty in any company handbook or other document
  + He wanted all GE managers to prove their value ever day and said people who knew they could e fired worked harder
  + When he took over 404k workers, when he left there were 313k
  + Welch stressed globalization of production to lower costs
* Flawed evaluation system
  + Critics argue that the vitality curve rating ethod hurts the moral of employees whoa re not placed at the top
* No diversity at the top
  + The vitality curve created a high performance maangment team but failed to create diversity
  + 40% of the workforce were woman & minorities, but white men dominated its top leader
* Pollution in the Hudson river
  + For 35 years several GE manufacturing plants in new released polychlorinated biphenyls (PCBs) into the Hudson rivers
  + PCBs cause cancer
* The GE pension fund:
  + The GE pension fund covered 485k people, including 195k who were retired
  + By 2001 it totaled 50 b

# Chapter 6: implementing corporate social responsibility

## Leadership and business models

* Business model: the underlying idea or theory that explains how a business will create value by making and selling products or services in the market
* Sources of pressure for social responsibility: communities, competitors, advocacy groups, stockholders/investors, customers, employees, events/crisis, governments, multilateral organizations, philanthropic requests
* Spectrum of responses to social demands: from narrow response to expansive response
  + Obey the law, deny further obligations, make a profit
  + Obey the law, respond to pressures, accept some added duties
  + Anticipate new demands, alter behavior before any pressure, embed management systems and processes to implement CSR

## A model process of CSR implementation

* CSR review > CSR strategy > implementation > reporting and verification > review, adjustment, continuous improvement > back to step 1
* CSR review: assess your current situation and activities
* Discovering core values: the central beliefs that guide decisions, reside deep in the company’s culture
* Mission statement: a brief statement of the basic purpose of a corporation
* Basic stakeholder map for arcelormittal:
  + A company has: employees, government and regulators, investors and lenders, suppliers, customers, nongovernmental organizations, media, multilateral and business organizations, local communities
* Strategy: a basic approach, method, or plan for achieving an objective
* Implementation of CSR strategy
  + Organization structure: create an effective CSR decision-making structure
  + Action planning: transforming the intent of your strategy and decision-making structure into action
  + Performance goals and timelines: goals must be specific and progress toward them should be measurable
  + Incentives and accountability:
  + Alignment of strategy and culture:
* Transparency: the state in which company social strategies, structures, and processes are visible to external observers
* Sustainability reporting: documentation and disclosure of how closely corporate operations conform to the goal of sustainable development
* Sustainable development: economic growth that meets current needs without social and environmental impacts that harm future generations
* Triple bottom line: an accounting of a firm’s economic, social, and environmental performance
* Triple bottom line: the value of business operations is represented by financial, social, and environmental returns
* Assurance: verification by audit that information in a corporate sustainability report is reliable

## How effectively is CSR implemented

* Philanthropy: charitable giving of money, property, or work for the welfare of society
* Checkbook philanthropy: a traditional form of corporate giving in which donations go to multiple worth causes without any link to business strategy
* Strategic philanthropy: a form of corporate philanthropy in which charitable activities reinforce strategic business goals
* Cause marketing: a form of strategic philanthropy in which charitable contributions are based on purchases of a product
* Philanthropy-capitalism: an emerging form of philanthropy that relies on market forces to achieve results
* Micro-finance: small loans given to poor people

# Ch7: business ethics

## What are business ethics?

* Ethics: the study of good and evil, right and wrong, and just and unjust
* Business ethics: the study of good and evil, right and wrong, and just and unjust actions in business
* Theory of amorality: the belief that business should be conducted without reference to the full range of ethical standards, restraints, and ideals in society
* Theory of moral unity: business actions are judged by the general ethical standards of society, not by a special set of more permissive standards

## Major sources of ethical values in business

* Reciprocity: a form of social behavior in which people behave supportively in the expectation that this behavior will be given in return
* Major sources of ethical values in business: religion, philosophy, culture, law
* Realist school: a school of thought that rejects ethical perfection, taking the position that human affairs will be characterized by flawed behavior and ought to be depicted as they are, not as we might wish them to be
* Ethical universalism: the theory that because human nature is everywhere the same, basic ethical rules are applicable in all cultures. There is some room for various in the way these rules are followed
* Ethical relativism: the theory that ethical values are created by cultural experiences. Different cultures may create different values and there is no universal standard by which to judge which values are superior
* Hypernorms: master ethical principles that underlie all other ethical principles. All variations of ethical principles must conform to them
* Compensatory damages: payments awarded to redress actual, concrete losses suffered by injured parties
* Punitive damages: payments in excess of a wronged party’s actual losses to deter similar actions and punish a corporation that has exhibited reprehensible conduct
* White-collar crime: a nonviolent economic offense of cheating and deception done for personal or corporate gain in the course of employment
* Deferred prosecution agreement: an agreement between a prosecutor and a corporation to delay prosecution while the company takes remedial actions
* Nonprosecution agreement: an agreement in which U.S. attorneys decline prosecution of a corporation that has taken appropriate steps to report a crime, cooperate, and compensate victims
* Monitor: a person hired by a corporation to oversee fulfillment of conditions in an agreement to avoid criminal indictment

## Factors that influence managerial ethics

* Four internal forces shaping corporate ethics
  + Leaders example
  + Strategies & policies
  + Organization culture
  + Individual characteristics
* Corporate culture: a set of values, norms, rituals, formal rules, and physical artifacts that exists in a company

## How corporations manage ethics

* Ethics and compliance program: a system of structures, policies, procedures, and controls used by corporations to promote ethical behavior and ensure compliance with laws and regulations
* Compliance approach: training employees to follow rules in laws, regulations, and policy
* Ethics approach: training employees to make decisions based on ethical values

# Ch8 making ethical decisions in business

# Final questions

## Chapter3

* + Summarize two spheres of corporate power (pg 59)
  + please summarize Duke as discussed in the text (pg 55-57)
  + how did the railroads changed america (pg 62)
    - prior to the railroads, everyon county in America had the power to tell us what time it is, the railroads said that doesn’t work (how will they coordinate train schedules), so they forced the counties to implement timezones (4 zones total) and we still have it today, i.e. they standardized time
  + what are the two theories of business power & the differences between them
    - dominance theory: business control too much power
    - pluralist theory:
  + JP Morgan page 72 Summarize the panic in 1907
    - What did jp morgan do to make us think he had way too much power?

## Chapter 4

* Summarize mary mother jones on page 83
* Page 88, define just price, and market price
  + Just price: if you make a product that costs 10 dollars, only charge 11 dollars for it, because ‘that’s just what you need to live’
* Page 88 define Usury: has two definitions
  + - Lending someone money for interest
    - To charge unreasonable interest
* Page 92, utopian
  + A book written by Thomas Moore, in which he described the perfect society
  + Written 500 years ago
  + This was the perfect world as described back then
  + It goes beyond a totalitarian state
* Page 93: the populist movement
  + Came around the turn of the century, 1899 and 1900
  + A movement by a group of farmers that disliked and distrusted politicians & bankers
  + The populist movement became popular in the ‘Wizard of Oz’
* Page 94 the wizard of oz
  + What does the movie actual mean?
  + The author of the book said he was talking about the populist movement of the 1900s
  + A parody talking about the populist movement
  + The scarecrow represent the farmer
  + Who is the author? What is the book that he wrote? What does the book mean?
* Page 102: the new progressives
  + Ralph nater (page 103)
  + Wrote ‘unsafe at any speed’
  + This book made him famous
  + He attacked the car manufacturers in 1950s
  + Said the manufacturers are able to make the cars safer, but refused to do so
  + He wanted them to put seat belts in the car, but they refused
  + He wanted them to put in headrests
  + He ran for president and was the face of the progressive parties in the 1980s and 2000s

## Chapter 5

* Please summarize Merck as discussed in the book
* Page 123:
  + What is the definition of corporation social responsibility
    - Corporate social responsibility is the duty of the corporation to create wealth, in ways that avoid harms, protect, or enhance societal assets
* Page 126
  + Social Darwinism: describe social Darwinism
    - Survival of the fittest in the corporate world, etc.
* Page 127
  + Ultra vires: beyond your power;
    - Please define and give an example of ultra vires
      * When someone acts beyond their power
      * E.g. a frontline worker signing a document on behalf of the business
* Page 130
  + It talks about friedman
  + Read it
  + What is freidman’s argument, and the counter-argument to Friedmanism
    - Friedmanism: the sole responsibility of the corporation is to make money while avoiding something
* Page 133
  + General principles of corporate social responsibilities
    - There are 8
    - Please list 2 of the 8 general principles of corporate social responsibilities

## chapter 6

* page 157
  + summarize the bill and Melinda gates foundation
* page 162
  + narrow response: make a profit
  + expansive response: you have to make a profit, and help out society
* page 172
  + what is the triple bottom line mean?
    - financial
    - social
    - environmental
* page 175
  + what is philanthropy
  + what is corporate philanthropy
    - the giving of money, property, or anything by a corporation for social good/welfare of society
  + altruism: when you do something good for the sake of it
* page 176
  + APC smith manufacturing co v barlough
  + summarize this case or section
    - a lawsuit, based on the giving of money to a school called Princeton and it discusses and is an example of altraveris
* page 177
  + name & define the three types of corporate philanthropies
    - checkbook philanthropy: the traditional philanthropy, when a corporation takes out a checkbook and writes a check
    - strategic philanthropy: when a corporation doesn’t just give the money, but builds something and attaches there name to it
    - cause marketing philanthropy: a form of strategic philanthropy in which charitable contributions are based on purchases
      * ‘were going to donate if you donate it’
* page 178
  + secretive billionaire
  + summarize the article

## chapter 7

* 194
  + Bernard ebards case
  + please summarize the case
* 198
  + theory 1: business ethics should be amoral, the theory of amorality
  + theory 2: theory of moral unity, there should be no special rules for business when you're dealing with ethics
* 206
  + the law
  + damages: what you pay after you lose the lawsuit
    - compensatory damage: the damages you actually lost
    - punitive damage: what the person is charged as punishment
* 208
  + how does white collar crime work?
    - done by people who embezzle/steal from a company