Lecture 7:
Business Ethics and Social Responsibility

Ethics in the Workplace

- **Ethics**
  - **beliefs** about what is **right and wrong** or **good and bad** in actions that affect others

- **Business ethics**
  - refers to **ethical or unethical behaviors** by employees **in the context of their jobs**

Business and Managerial Ethics

- Managerial Ethics
  - standards of behavior that guide individual managers in their work

Behavior toward Employees

Behavior toward the Organization

Behavior toward Other Economic Agents

Assessing Ethical Behavior

- Gather the relevant factual information

- Analyze the facts to determine the most appropriate moral values

- Make an ethical judgment based on the rightness or wrongness of the proposed activity or policy

Company Practices and Business Ethics

- Two of the most common approaches to formalizing top management commitment to ethical business practices:
  - Adopting written codes
  - Instituting ethics programs

Adopting Written Codes – The HP Way

1. We have trust and respect for individuals.
2. We focus on a high level of achievement and contribution.
3. We conduct our business with uncompromising integrity.
4. We achieve our common objectives through teamwork.
5. We encourage flexibility and innovation.

Social Responsibility

- Social responsibility
  - refers to the overall way in which a business attempts to balance its commitments to relevant groups and individuals in its social environment

Social Responsibility

- Organizational Stakeholders
  - those groups, individuals, and organizations that are directly affected by the practices of an organization and who therefore have a stake in its performance
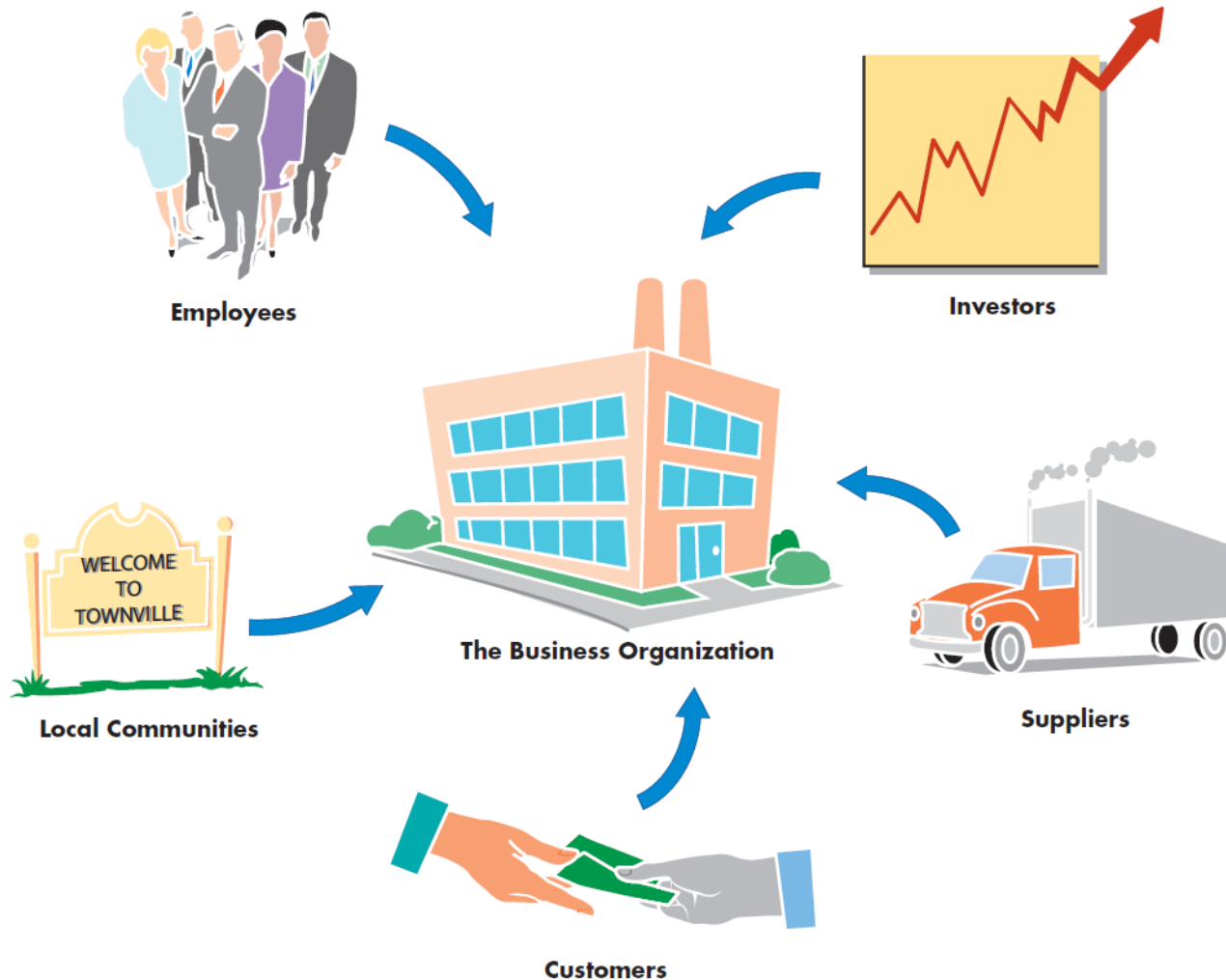
Major Corporate Stakeholders

Figure 2.3 Major Corporate Stakeholders

The Stakeholder Model of Responsibility

- Most companies that strive to be responsible to their stakeholders concentrate first and foremost on five main groups:
  - Customers
  - Employees
  - Investors
  - Suppliers
  - Local communities where they do business

The Stakeholder Model of Responsibility

- Customers
  - Treat customers fairly and honestly
- Employees
  - Treat employees fairly and respect their dignity and basic human needs
- Investors
  - Follow proper accounting procedures; provide information to shareholders about financial performance

The Stakeholder Model of Responsibility

- Suppliers
  - Create mutually beneficial partnership arrangements with suppliers
- Local and International Communities
  - Involvement in programs and charities

Contemporary Social Consciousness

■ The Concept of Accountability

- The expectation of an expanded role for business in protecting and enhancing the general welfare of society

Areas of Social Responsibility

Environment

Customers

Employees

Investors

Responsibility toward the Environment

- Air pollution
- Water pollution
- Land pollution
  - Toxic waste disposal
  - Recycling

Responsibility toward Customers

- Consumer rights

  - Consumerism – social activism dedicated to protecting the rights of consumers in their dealings with businesses

- Unfair pricing

  - Collusion – two or more firms collaborate on such wrongful acts as price fixing

  - Price gouging

Responsibility toward Employees

- A company that provides its employees with equal opportunities without regard to race, sex, or other irrelevant factors is meeting both its legal and its social responsibilities

Responsibility toward Employees

- Provide opportunities to balance work and life pressures and preferences

- Help employees maintain job skills

- Treat terminated or laid-off employees with respect and compassion

Responsibility toward Investors

- Insider trading
  - using confidential information to gain from the purchase or sale of stocks.
- Misrepresentation of finances

Social Responsibility and the Small Business

- For small businesses, ethical issues are questions of individual ethics

- But in questions of social responsibility, they must ask themselves if they can afford a social agenda

Self-check

Self Check (1): Question

Question: One's beliefs about what is right and wrong are known as:

A) Morals

B) Codes

C) Ethics

D) None of these

Question: The behaviors shown by employees in the workplace context is known as:

A) Professional behavior

B) Business ethics

C) Code of conduct

D) None of these

Question: Companies who put their beliefs in writing have created a:

A) Public contract

B) Code of ethics

C) Beliefs program

D) None of these

Self Check (2): Question

Question: A company that gets involved with a local charity is demonstrating this:

A) Stakeholder relationship management

B) Social responsibility

C) Investor relations

D) None of these

Question: Which of these is an organizational stakeholder?

A) Suppliers

B) Stockholders

C) Employees

D) All of these are examples of a stakeholder

Question: Using proper accounting procedures when filing financial statements is a way for a business to be socially responsible with which group?

A) Investors

B) Governments

C) Banks

D) All of these

Self Check (3): Question

Question: Many businesses believe that they have a role in protecting the welfare of society. This reflects a belief in:

A) Codes of ethics

B) Accountability

C) Laissez-faire ethics

D) None of these

Question: Which of the following has NOT been identified as a basic consumer right?

A) A right to the low prices

B) A right to safe products

C) A right to be heard

D) A right to be choose what they buy

E) A right to be informed about a product

Self Check (4): Question

Question: An employee who reports unethical behavior to individuals outside the business is known as:

A) Whistle-blower

B) Concerned stakeholder

C) Management auditor

D) None of these

Question: Which of the following steps would be LEAST likely to help a business develop and maintain an ethical environment?

A) Ensure that a mission statement is in place.

B) Communicate standards of behavior to all employees.

C) Implement ethics training programs.

D) Offer orientation programs so that new employees understand the business's ethical standards.

E) Trust that management-level employees will act ethically.

Self Check (5): Question

Question: Which of the following steps would be LEAST likely to help a business develop and maintain an ethical environment?

A) Ensure that a mission statement is in place.

B) Communicate standards of behavior to all employees.

C) Implement ethics training programs.

D) Offer orientation programs so that new employees understand the business's ethical standards.

E) Trust that management-level employees will act ethically.

Self Check (6): Question

Question: The CEO of Pizzeria, a rapidly growing restaurant chain, is committed to a high level of corporate social responsibility along with continued business success. Which action by the CEO would most enhance the company's reputation for social responsibility?

A) Using more nutritious, but more expensive ingredients

B) Cutting employees' wages and benefits to boost the company's stock price.

C) Using marketing of advertising methods that would allow the company to discreetly reduce pizza size without also reducing the price

D) Packaging products in material that cost less, even if customers object to change

E) Taking steps that would cause competitors to close their doors

Self Check (7): Question

Question: Jordan is a recent college graduate with a degree in software engineering. He has just begun his first full-time job and is excited to apply the skills that he worked so hard to acquire. Though he excelled as a student, Jordan is anxious about how successful he will be as an employee. When an opportunity unexpectedly presents itself to take credit for a brilliant software program that someone else wrote, Jordan does not resist and claims the program as how own. Which of the following statements must be true about Jordan's decisions?

A) It was made with careful thought

B) It does not reveal anything about his beliefs or character.

C) It raises questions about his personal ethics.

D) It will benefit him professionally.

E) It will not benefit him professionally.

Do you know?

- **Accenture is a World's Most Ethical Company for the Seventh Consecutive Year**

- Accenture has been honored for the seventh consecutive year by the Ethisphere Institute as a 2014 World's Most Ethical Company®

- Accenture has adopted a framework designed to achieve these objectives, which includes

  - visible support of our senior leadership,

  - regular and periodic risk assessments,

  - written standards and controls,

  - ongoing training and communications, and

  - auditing, monitoring, and response procedures.