

# busn

third edition

Kelly / McGowen



# 4

## Business Ethics and Social Responsibility: Doing Well by Doing Good

- What is ethics? Business ethics?
- What are the universal ethical standards?
- What is an ethical dilemma?
- How does ethics relate to the individual and the organization?
- What is social responsibility and its impact on stakeholders?
- What is the role of social responsibility in the global arena?
- How do companies evaluate their efforts to be socially responsible?

## Ethics & Social Responsibility: A Close Relationship

- ***Ethics*** – beliefs about right and wrong
- ***Social Responsibility*** – the obligation of a business to contribute to society

## Universal Ethical Standards

<b>Trustworthiness</b>	<p>Be honest. Don't deceive, cheat, or steal. Do what you say you'll do.</p>
<b>Respect</b>	<p>Treat others how you'd like to be treated. Be considerate. Be tolerant of differences.</p>
<b>Responsibility</b>	<p>Persevere. Be self-controlled and self-disciplined. Be accountable for your choices.</p>
<b>Fairness</b>	<p>Provide equal opportunity. Be open-minded. Don't take advantage of others.</p>
<b>Caring</b>	<p>Be kind. Be compassionate. Express gratitude.</p>
<b>Citizenship</b>	<p>Contribute to the community. Protect the environment. Cooperate whenever feasible.</p>

Developed by  
**Character Counts**, a  
nonpartisan  
organization of  
educators, community  
leaders, and  
ethicists.

(Source: The Six Pillars of Character, Josephson Institute website, <http://josephsoninstitute.org/MED/MED-2sixpillars.html>, accessed February 2, 2009)

## Business Ethics: Not an Oxymoron

- ***Business Ethics*** – the application of right and wrong in the workplace.
  - ✓ Most challenging business decisions seem to arise when values are in conflict.
- ***Ethical Dilemma*** - negative consequences, two unfavorable options
- ***Ethical Lapse*** - clear misconduct

*Individuals must make their own  
ethical choices*

**BUT**

*The organization can have a significant  
influence on decisions*

## **Framework for Ethical Decisions:**

1. Do you understand the dimensions of the problem?
2. Who would benefit? Who would suffer?
3. Are the alternative solutions legal? Are they fair?
4. Does your decision make you comfortable?
5. Could you defend your decision on the nightly news?

## Ethics and the Organization: It Takes a Village

- Ethical influence starts at the top.
- Actions matter more than words.
- The appearance of shaky ethics can be deeply damaging.

“CEOs in particular must communicate their personal commitment to high ethical standards and consistently drive the message down to employees through their actions.”



## Creating and Maintaining an Ethical Organization

- Organizational Culture
- Role of Top Management
- Code of Ethics
  1. Executive buy-in
  2. Clear expectations
  3. Integrated approach
  4. Global and local
  5. Whistleblower support
  6. Reporting and enforcement

## Defining Social Responsibility: Making the World a Better Place

***Social Responsibility*** is the obligation of a business to contribute to society.

Nearly 80% of Americans consider corporate citizenship when making investment and purchasing decisions.

## The Spectrum of Social Responsibility

**LESS**  
Responsible

**No  
Contribution**

Some businesses do not recognize an obligation to society and do only what's legally required.

**Responsive  
Contributions**

Some businesses choose to respond on a case-by-case basis to market requests for contributions.

**Proactive  
Contributions**

Some businesses choose to integrate social responsibility into their strategic plans, contributing as part of their business goals.

**MORE**  
Responsible

## The Stakeholder Approach: Responsibility to Whom?

*Stakeholders* are any  
groups that have a stake  
or a personal interest in the  
performance and actions  
of an organization.

## The Stakeholder Approach: Responsibility to Whom?

<b>EMPLOYEES</b>	<i>Creating Jobs that Work</i>
<b>CUSTOMERS</b>	<i>Value, Honesty and Communication</i>
<b>INVESTORS</b>	<i>Fair Stewardship and Full Disclosure</i>
<b>COMMUNITY</b>	<i>Business and the Greater Good</i>
<b>ENVIRONMENT</b>	<i>Sustainable Development</i>

## Responsibility to Employees: Creating Jobs that Work

- Meet Legal Standards
- Workplace Safety
- Minimum Wage/Overtime Requirements
- Value Employees
- Provide Work/Life Balance

## Responsibility to Customers: Value, Honesty and Communication

### **CONSUMERISM:**

The Right to Be Safe

The Right to Be Informed

The Right to Choose

The Right to be Heard

### ***Planned Obsolescence –***

*Deliberately designing products to fail in order to shorten the time between consumer repurchases*

## Responsibility to Investors: Fair Stewardship and Full Disclosure

- ✓ Legal Requirements:  
*Sarbanes-Oxley*
  
- ✓ Responsible use of  
Corporate Dollars:  
*Honesty*



## Responsibility to Community: Business and the Greater Good

- ***Corporate Responsibility*** - actions of the business rather than donations of money and time
- ***Cause-related Marketing*** – partnerships between businesses and nonprofit organizations, designed to spike sales for the company and raise money for the nonprofit
- ***Corporate Philanthropy*** - business donations to nonprofit groups, including both money and time.

## Responsibility to the Environment: Sustainable Development

### *Sustainable Development*

Beyond federal, state and local laws:  
doing business to meet the needs of  
this generation without harming the  
ability of future generations

### *Carbon Footprint*

Amount of harmful greenhouse gases a  
firm emits

### *Green Marketing*

Marketing environmental products and  
practices for competitive advantage

## Ethics and Social Responsibility in the Global Arena: A House of Mirrors?

***Corruption is part of the culture in many countries***

- ✓ Bribes or Gifts

***Labor issues in host countries can be complicated***

- ✓ Living Wage
- ✓ Child Labor

## Monitoring Ethics and Social Responsibility: Who is Minding the Store?

### **SOCIAL AUDIT**

A systematic evaluation of how well a firm is meeting its ethics and social responsibility objectives.

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## Looking Back

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