Social Responsibility and Ethics

Contemporary Management Concepts
Week 3
Professor Schoenfeld

Learning Objectives
1. Discuss the stakeholder view of the firm and discuss the impact of the globalization of business on social responsibility and ethics.
2. Describe the concept of corporate social responsibility and the primary premises upon which it is based.
3. Distinguish among the three perspectives of corporate social responsibility.

Learning Objectives
4. Identify and evaluate different strategies for responding to social issues.
5. Discuss the 10 commandments of social responsibility.
6. Explain what values are, how they form the basis of an individual’s ethical behavior, and how they may vary in a global business environment.
7. Describe how advances in information technology have created new ethical challenges.

Learning Objectives
8. Identify and discuss the differences in the utility, human rights, and justice approaches to ethical dilemmas.
9. Explain the methods used by an organization to encourage ethical business behavior.
10. Describe the different approaches used in ethics training programs.
11. Discuss what is meant by whistleblowing in monitoring ethical behavior.

Stakeholders are all those who are affected by or can affect the activities of the firm. They can be from within or outside of the organization. Each Stakeholder has a different criterion of social responsiveness based on their specific interest (or stake) in the organization.

Stakeholders
- Employees
  - Work satisfaction
- Investors/ owners
  - Managerial efficiency and profit
- Customers
  - Quality and availability
- Government
  - Law compliance
2. Special Interest Stakeholders
   - Environmental groups
   - Political action committees
   - Groups interested in quality of life in community

7. Primary and Secondary Stakeholders
   - Primary Stakeholders
     - Those who have a formal, official, or contractual relationship with the organization.
   - Secondary Stakeholders
     - Other societal groups who are affected by the activities of the firm.

8. The Stakeholder View of the Firm

9. Stakeholder Perspective
   - Social Responsibility
     - Relates to the obligation of business to society.
   - Ethics
     - Ethical issues are most relevant at an individual level, for ethics are maintained by people.

10. Corporate Social Responsibility
    Should corporate actions benefit society or merely not harm society?
    - Social Responsibility is the interaction between business and the social environment in which it exists.

11. The Social Responsibility Debate
    - What does social responsibility mean?

12. The Premises of the Social Responsibility Debate
    - Social contract
      - An implied set of rights and obligations that are inherent in social policy and assumed by business. A business must comply with these guidelines established by society.
    - Moral agent
      - The obligation of a business to act honorably and to reflect and enforce values that are consistent with those of society.

13. Three Perspectives of Social Responsibility
    - Economic Perspective
      - The responsibility of business is to make a profit within the “rules of the game.”
      - Organizations cannot be moral agents. Only individuals can serve as moral agents.
    - Public Responsibility
      - Businesses should act in a way that is consistent with society’s view of responsible behavior, as well as with established laws and policies.

14. Three Perspectives
of Social Responsibility

Social Responsiveness
- Business should proactively seek to contribute to and improve society in a positive way.
- Organizations should develop an internal environment that encourages and supports ethical behavior at an individual level.

The Four Faces of Social Responsibility

Social Responsibility Strategies
- Continuum of strategies based on the organization’s tendency to be socially responsible or responsive.

Corporate actions toward social responsibility
- Reaction
  - An organization that assumes a reaction stance simply fails to act in a socially responsible manner.
- Defense
  - Organizations that pursue a defense strategy respond to social challenges only when it is necessary to defend their current position.

Social Responsibility Strategies
- Accommodation
  - Corporations with an accommodation strategy readily adapt behaviors to comply with public policy and regulation where necessary and, more importantly, attempt to be responsive to public expectations.
- Proaction
  - Organizations that assume a proaction strategy subscribe to the notion of social responsiveness.

Ten Commandments of Social Responsibility
- Commandment I
  - Thou shall take corrective action before it is required.
- Commandment II
  - Thou shall work with affected constituents to resolve mutual problems.
- Commandment III
  - Thou shall work to establish industry-wide standards and self-regulation.

Ten Commandments of Social Responsibility
- Commandment IV
  - Thou shall publicly admit your mistakes.
- Commandment V
  - Thou shall get involved in appropriate social programs.
- Commandment VI
  - Thou shall help correct environmental problems.
- Commandment VII
Thou shall monitor the changing social environment.

21 Ten Commandments of Social Responsibility

Commandment VIII
- Thou shalt establish and enforce a corporate code of ethics.

Commandment IX
- Thou shalt take needed public stands on social issues.

Commandment X
- Thou shalt strive to make profits on an ongoing basis.

22 Ethics

Ethics
- The established customs, morals, and fundamental human relationships that exist throughout the world.

Ethical Behavior
- Behavior that is morally accepted as good or right as opposed to bad or wrong.

23 Foundations of Ethics

Values are the relatively permanent, deeply held preferences of individuals or groups. These form the basis for attitudes and personal choices.

Instrumental Values
- Standards of conduct or methods for attaining an end.

Terminal Values
- Goals an individual will ultimately achieve.

24 Business Ethics Defined

The application of the general ethical rules to business behavior.

If a society deems dishonesty to be unethical and immoral, then anyone in business who is dishonest with employees, customers, creditors, stockholders, or competition is acting unethically and immorally.

25 Ethics And Information Technology

Employee Perspective
- Concerns about organizations and government agencies gaining greater access to private information about individuals.

Organizational Perspective
- Concerns over unethical acts by employees as a result of access to information technology in the workplace.

Societal Perspective
- Also, concerns raised in regard to businesses providing customer information to other organizations.

26 Ethical Dilemma Defined

A situation in which a person must decide whether or not to do something
that, although beneficial to oneself or the organization, may be considered unethical and perhaps illegal.

**27 Ethical Dilemmas Faced by Managers**

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**30 Ethical Dilemmas Faced by Managers**

**31 Managerial Guidelines for Ethical Dilemmas**

- **Utility Approach**
  - A situation in which decisions are based on an evaluation of the overall amount of good that will result.

- **Human Rights Approach**
  - A situation in which decisions are made in light of the moral entitlements of human beings.

**32 Managerial Guidelines for Ethical Dilemmas**

- **Justice Approach**
  - A situation in which decisions are based on an equitable, fair, and impartial distribution of benefits and costs among individuals and groups.

**33 Fostering Business Ethics**

- **Code of Ethics**
  - Describes the general value system, ethical principles, and specific ethical rules that a company tries to apply.

- **Ethics Training Programs**
  - Training designed to help managers clarify their ethical framework and practice self-discipline when making decisions in difficult circumstances.

**34 Fostering Business Ethics**

- **Whistleblowing**
  - A whistleblower is someone who exposes organizational misconduct or wrongdoing to the public.

**35 Implications for Leaders:**

**Social Responsibility and Ethics**

- Explore ways in which the organization can be more socially responsive.
- Recognize the effect of the organization’s actions on its stakeholders.
- Create an environment in which employees commit to behaving in socially
responsive and ethical ways.

- Make sure that a code of ethics is put in place and followed.

36  □ Implications for Leaders:

Social Responsibility and Ethics
- Ensure that whistle blowing and ethical concerns procedures are established for internal problem solving.
- Involve line and staff employees in the identification of ethical issues to help them gain understanding and resolve issues.
- Determine the link between departments and issues affecting the company and make them known to employees in the departments

37  □ Implications for Leaders:

Social Responsibility and Ethics
- Integrate ethical decision making into the performance appraisal process.
- Publicize, in employee communications and elsewhere, executive priorities and efforts related to ethical issues.