

CHAPTER 2

SOCIAL AND ETHICAL ENVIRONMENT OF BUSINESS

Content	Teaching Suggestions
I. HUMAN RESOURCE ISSUES	
A. Population	<p><i>Extension</i> Ask whether the U.S. should stop or adopt greater restrictions on immigration. To answer the question, help students develop a list of the advantages and disadvantages of immigrants coming to this country. The list will reveal why so many foreigners want to enter the U.S.</p>
B. Labor Force	<p><i>Background Note</i> Fast food restaurants, such as Wendy's and McDonald's, simplified the clerk's job and reduced the number of cash register mistakes when they installed machines with pictures and/or words displaying menu items on keys. Training time, as well as errors, decreased.</p>
C. Poverty	
D. Equal Employment	
E. Comparable Worth	
F. Societal Values	<p><i>Reinforcement</i> Ask students if an employee should be allowed to continuously make sexual remarks to a co-worker (male or female). Opinions will vary but the law upholds the co-worker's right to bring sexual harassment charges against the business. Major businesses agree and hold managers responsible for letting such incidents occur. In fact, if a business does not have a policy prohibiting sexual harassment, the business has no defense if charges brought against it are found to be true.</p> <p><i>Enrichment</i> Divide the class into two groups and ask students to debate whether employers should test their employees for drug use. When done, point out that many firms test before employment and others test before and during employment. Courts have supported drug testing as long as it is done fairly.</p>

Content	Teaching Suggestions
G. Employer Practices	<p><i>Reinforcement</i> Ask students if there is any difference between workers taking their home problems to work or students taking their home problems to school.</p>
II. NATURAL RESOURCE ISSUES	
A. Managing the Environment	
B. Controlling Environmental Pollution	<p><i>Extension</i> Obtain student opinions on what action is desirable for a small manufacturing firm that is struggling to survive and is required to spend large sums of money to meet pollution laws when it could move its business to another country where pollution laws may not exist and labor costs would be smaller than in the United States. Opinions will differ.</p> <p><i>Enrichment</i> Lead a brainstorming session to have students develop a list of innovative ways to help solve waste disposal problems or to improve upon the current methods. Allow students to come up with creative solutions—some on solving problems and others on preventing problems from ever arising.</p>
III. ETHICAL ISSUES	<p><i>Enrichment</i> Have students develop a code of ethics for a company within an industry of their choice. Before students develop the code, discuss possible topics for inclusion in the code of ethics. Codes of ethics generally address such topics as conflicts of interest, confidentiality of corporate information, misappropriation of corporate assets, bribes and kickbacks, and political contributions.</p>
A. Business Ethics	
B. Ethical Dilemmas	<p><i>Enrichment</i> Students can debate whether a company that pays men and women differently for comparable (not identical) jobs should follow the same practice in a foreign country. Unless it is unlawful in a foreign country, the firm faces an ethical dilemma. It can be argued that the ethics of the foreign country should probably be observed.</p>
IV. SOCIAL RESPONSIBILITY OF BUSINESS	<p><i>Reinforcement</i> How does business benefit when it donates \$15,000 to a local hospital to help buy critical equipment? Answer: Free publicity and a</p>

reminder to citizens that the business is socially responsible and a responsible community member, which should attract customers.

V. THE FUTURE

ETHICAL ISSUES (P. 45)

ON A WAGE OF A DOLLAR A DAY

1. Nike can arrange with an independent non-governmental organization to audit the labor practices in the plants of its contractors. The organization could include members from the groups who are protesting.

2. The protestors may be genuinely concerned about the well-being of the workers in the foreign plants. These workers may not have the opportunity or ability to let the world know about their conditions, and the protestors are doing it on their behalf. The protestors also believe companies such as Nike have a social responsibility to their stakeholders. Nike cannot ignore the protestors because they are well-organized, get good coverage in the media, and because the company is seen to be making big profits on the backs of poor people.

3. Yes, Nike and its suppliers are trying to improve working conditions in accordance with the economic conditions of the country the plants are located in. Nike cannot pay American-level wages to workers in Indonesia, where average annual incomes are less than \$700 a year. Nike tries to ensure that it follows employment laws in the foreign countries.

4. No, it should not. Working conditions and wages reflect the economic conditions of a country. As a country develops, wage rates rise and working conditions improve. So companies such as Nike help with economic development.

BUILD VOCABULARY POWER (P. 49)

1. **baby boom:** refers to the high birth rate period from 1945-1965.

2. **baby bust:** refers to the low birth rate period following the baby boom period.

3. **Frost Belt:** colder northern half of the country.

4. **Sun Belt:** warmer southern half of the nation.

5. **Rust Belt:** the north central and northeastern states where major manufacturing centers were once dominant.

6. **labor force:** includes most people aged 16 or over who are available for work, whether employed or unemployed.

7. **labor participation rate:** the percentage of the labor force either employed or actively seeking employment.

8. **glass ceiling:** an invisible barrier to job advancement.

9. **sticky floor syndrome:** the inability of workers to move up from low-paying jobs requiring little skill and education.

10. **comparable worth:** paying workers equally for jobs with similar but not identical job requirements.

11. **Generation X:** workers from the post-baby-boom generation.

12. **Net Generation:** persons born between 1977 and 1997.

13. **telecommute:** allows employees to work at home using computers rather than at the business.

14. **recycling:** reusing products and packaging whenever possible.

15. **ethics:** of moral conduct that individuals and groups set for themselves.

16. **business ethics:** a collection of principles and rules of conduct that defines what is right and wrong conduct for an organization.

17. **code of ethics:** a formal, published collection of values and rules that reflect a firm's philosophy and goals.

18. **social responsibility:** the duty of a business to contribute to the well-being of society.

19. **stakeholders:** individuals and groups that are affected by a firm's actions.

20. **non-governmental organizations:** independent groups that influence businesses through lobbying, publicity, and pressure tactics to alter their activities.

REVIEW FACTS (P. 49)

1. The three main factors are: immigration, increasing life expectancy (thanks to improved health care), and birth rate. The first two are more important than the birth rate, which has been falling.

2. The main reason is the decline in the birth rate following the Baby Boom generation.

3. They affect what products and services are made and bought, where people live, and availability of workers.

4. When families and businesses leave cities in large numbers, the cities lose the financial ability to provide high-quality services. As a result, crime and poverty have increased in some large cities. When businesses move from the Rust Belt, they leave behind unemployed workers, closed factories, decaying towns, and homeless people. As businesses relocate to where customers are located, they affect where other people move to in order to find jobs.

5. More and more women are taking jobs outside the home. Many women choose not to marry, delay marriage, or marry but pursue careers before raising children.

6. Women and minorities encounter difficulties in being promoted above a certain level because of an invisible barrier, known as glass ceiling.

7. It is not easy to determine the specific factors that measure the worth of jobs. Different jobs require different skills, have different wage rates because of demand and supply of workers, and have different status in society. These and other factors make it difficult for employers to design and implement comparable worth plans.

8. The traditional definition of “family” consisting of a working husband, a homemaker wife, two children, and a dog is now the exception. Less than one-fourth of America’s families fit this picture. The number of children living with both parents continues to fall because of rising divorce rates and children born to single mothers. The birth rate too has declined as women delay marriage and pursue careers outside the home. Businesses have responded to the needs of today’s fast-paced family life with a whole array of time-saving products and services from fast food of every description to dry cleaning delivery services.

An aspect of contemporary American society is the incidence of unpredictable and unprovoked violence through the use of guns, often by young people. Concern over violent crime has led to an expanding personal security business in the form of personal and home protective gadgets, guns, guards, gated communities, and prison construction.

9. A physically unfit employee is absent more and is less productive than a fit employee. Many businesses encourage a healthy lifestyle by providing incentives to smokers to quit, membership to health clubs, counseling services where workers can receive

support for stress or emotional problems, and payment for treatment of drug, alcohol and other forms of addiction. Employers thereby reduce medical and insurance costs.

Given the changes in the family structure, employers are making efforts to address this aspect of their employees’ lives. By law, employers provide unpaid leave to employees to take care of their sick children or parents, or to give birth to, adopt, or take care of newborn children. Many progressive businesses provide day-care facilities for the young children of employees. Some employers provide flexible scheduling so that workers can avoid commuting to and from work during hectic rush hour traffic as well as accommodate their family needs and lifestyle.

10. The federal government has passed a large number of laws and created an enforcement body, the Environmental Protection Agency.

11. In all its business practices, the firm has to consider the impact on the physical environment and take steps to reduce any negative impact.

12. Laws provide a minimum standard of behavior for people and businesses to follow. However, many behaviors are neither allowed nor disallowed by law. The guide that then comes into play is ethics, which refers to standards of moral conduct that individuals and groups set for themselves, defining what behavior they value as right or wrong.

13. If a business uses some of its profits for social causes rather than using all profits to grow the business, the company will not remain very profitable. Thus, workers will get lower wages, customers will pay higher prices, and the owners will make less profit. Also, businesses may not have the ability to solve social problems. Does a manager know how to solve drug abuse?

14. Businesses have the resources to contribute to a community’s well-being. Also, good deeds translate into favorable publicity for the business, which in turn means more sales and profits.

15. Computer and health care occupations are expected to have the greatest growth in the coming decade. Telephone operators and unskilled jobs will become scarce.

DISCUSS IDEAS (p. 50)

1. The main reason is that society affects business, and business affects society. They are interdependent. For example, businesses must produce goods and services that society needs. Demographic changes in society affect what type of products and services are needed.

2. With the population becoming older and with more Hispanics and racial minorities, industries catering to these groups will flourish. Thus, health care, ethnic food, and bilingual media would be some of the growth industries. In contrast, the traditional toy industry may decline.

3. Among the steps that can be taken are: improve the curriculum and teaching in high schools and colleges so that students graduate with skills that employers need; provide continuous on-the-job training in new skills and techniques; and provide tax breaks to encourage students and employers to upgrade and learn new skills.

4. Lack of education and work-relevant skills are the most important factors that contribute to poverty. In addition, a lack of work ethic, poor personal habits, and family circumstances (e.g., single mothers) also can keep people poor.

5. The idea of comparable worth is not applicable in this case. The two jobs differ widely in terms of education, experience, working conditions, labor market availability, and social status. It is hard to compare the two jobs.

The wages paid to nurses and bus drivers reflect the supply for and demand for nurses and bus drivers respectively. If more people want to become nurses than there is a demand for them, then their wages will go down, and vice versa. These are two different jobs, and they don't overlap.

6. Changes in communication technology (e.g., the Internet) enable people to work flexible hours and do much of their work from outside the office. This allows workers to combine the demands of personal life, including caring for children, with the needs of the employer. Technology is also affecting how businesses sell goods and services. E-commerce and banking by phone are examples of how the relationship between individuals and businesses are being transformed.

7. Flexible scheduling, telecommuting, provision of child day care, autonomy on the job, involving workers in decision making, job rotation, health care, and counseling are some of the practices employers have adopted to enhance the quality of work life.

8. At times pollution control goals, such as improvement of air quality, may be at odds with energy conservation goals. For example, the use of coal, which is currently in great supply, generally pollutes air more than natural gas, which is in short supply. A business changing from coal to natural gas meets environmental goals but violates conservation goals.

In contrast, a business changing from natural gas to coal conserves natural gas but creates pollution. Similarly, while nuclear power is very clean and does not exploit coal and oil/gas, the danger of environmental catastrophe is very high should the nuclear power plants malfunction, as the case of Chernobyl in the Soviet Union showed.

9. While strong laws are important, it is probably more relevant that the laws be enforced when necessary. However, industries themselves can self-monitor their behavior because of a strong sense of social responsibility. When there are many firms in an industry, competition among them will ensure that unethical practices will be less likely to flourish.

10. This is an example of social responsibility on the part of the taxicab association. Apart from positive publicity, providing free service may create future business opportunities by introducing the prom goes to the comfort and advantages of using the taxi. More people in the community may ride taxis when they see the taxis as being closely tied with the welfare of the community.

11. There are no obvious answers. However, the American manager should try to follow as much as possible the American values abroad so long as it is not illegal. Where the foreign values are greatly different and are considered to be undesirable (e.g., using child labor), the U.S. manager could refuse to do business in that country. Where foreign values do not conflict with American values, one can follow foreign values. In some cases, universal values can be developed and applied worldwide.

12. The best way to ensure that the code of ethics is effective is to ensure that everyone in the firm is required to abide by it. The code should be made known to everyone and a system of rewards and punishments created that should be enforced. If violating the code does not lead to any punishment, the code will lose credibility.

ANALYZE INFORMATION (p. 51)

1. Data should indicate that more and more immigrants now come from Latin America and Asia than from Europe. The main reason is that U.S. immigration policy now allows people from all over the world to come as opposed to in the past, when preference was given to Europeans. Also, people from less developed countries come to the U.S. for economic and political freedom. Many such countries are in Latin America and Asia.

2. a. The trend is for the labor force participation rate to increase.

b. The trend for male labor force participation is steady.

c. More and more women are working outside the home and pursuing careers. Thus, their participation rate has increased. Men have generally worked outside the home, and this number has held steady.

d. It is unlikely that the participation rate will reach 100 percent. There will always be some people who are sick, are students, in prison, or retired, or disabled, and thus cannot work.

3. a. The size of the labor force is 220 million.

b. Of the labor force, only 120 million are working; the others are homemakers, students, and retirees. The labor force participation rate is $120/220 \times 100 = 54.5$ percent.

c. People below the age of 16.

d. There would be no change. By definition, the labor force participation rate refers to people who are employed or are looking for work.

4. Among the activities to consider are: impact of the business on the physical environment; keeping information about environmental impact; training employees to be environmentally conscious; including environmental perspectives in decision making; and using products that are environmentally friendly.

5. a. In general, people who attend weekly religious services are more likely to be ethical than those who attend rarely.

b. The biggest difference is with regard to using office equipment for personal projects.

c. They may not be unethical as such. They are more conscious about it and sensitive to the issue.

d. Going to church regularly makes one more ethical.

SOLVE BUSINESS PROBLEMS (P. 52)

Case 2-1

1. Greengrocers did not act in a socially desirable manner, especially because it sought a tax benefit for the donations. In the U.S., the expired food could not have been donated, and the company would not have been able to claim the tax benefit.

2. One approach would be to say it was all a mistake and there will never be a similar repetition. Another approach would be to accept full responsibility and resign. A third approach would be to blame the whole problem on lower-level employees.

3. A code of conduct or policy laying out how the company will handle donations and what it should do with food that has expired should be developed. All employees should be familiar with the code, and violations should be strictly dealt with. No one should be exempt from the code.

Case 2-2

1. If Phillip Morris believes that smoking is bad, it should not aggressively sell cigarettes anywhere in the world. Thus, its behavior abroad is not socially responsible.

2. Different countries are at different stages of social and economic development. The U.S. is far advanced and can address such issues as smoking. In less developed countries, there are more pressing health, economic, and social problems than controlling smoking.

3. Individual Americans should not sue because they knew what they were getting into. Warning signs are posted on the cigarette packets, and information about their health impact is widely available.

4. Yes, it should have.