**CHAPTER 2: BUSINESS ETHICS AND SOCIAL RESPONSIBILITY**

**Chapter Overview**

Many firms are concerned about the environment and their societies. Sometimes that means growing more slowly or reducing short-term profits for longer, sustained benefits. Although most organizations combine ethical behavior with profitable operation, some have faced ethical lapses. Ethical failures led to lawsuits and judgments against firms. The image of the CEO suffered amid reports of executives pocketing millions of dollars.

Now, both the government and companies have renewed their efforts to conduct themselves in an ethical manner. Firms are formulating standards and procedures for ethical behavior and recognizing the impact of setting a good example.

Although the aim of business is to serve customers at a profit, companies today try to give back to customers, society, and the environment. Sometimes they face difficult questions. When does self-interest conflict with society’s and customers’ well-being? And must profit-seeking conflict with right and wrong?

**Glossary of Key Terms**

**Business ethics:** standards of conduct and moral values regarding right and wrong actions in the work environment

**Code of conduct:** formal statement that defines how an organization expects its employees to resolve ethical issues

**Conflict of interest:** situation in which an employee must choose between a business’s welfare and personal gain

**Consumerism:** public demand that a business consider the wants and needs of its customers in making decisions

**Corporate philanthropy:** effort of an organization to make a contribution to the communities in which it earns profits

**Discrimination:** biased treatment of a job candidate or employee

**Equal Employment Opportunity Commission (EEOC):** this commission was created to increase job opportunities for women and minorities and to help end discrimination based on race, color, religion, disability, gender, or national origin in any personnel action

**Fair trade:** a market-based approach to pay higher prices to producers on exports from developing countries to developed countries in order for the developing countries to obtain better trading conditions and promote sustainability

**Family leave:** the Family and Medical Leave Act of 1993 states that businesses with 50 or more employees must provide unpaid leave up to 12 weeks annually for any employee who wants time off for the birth or adoption of a child, to become a foster parent, or to care for a seriously ill relative, spouse, or self if he or she has a serious health condition or injury

**Green marketing:** a marketing strategy that promotes environmentally safe products and production methods

**Integrity:** adhering to deeply felt ethical principles in business situations

**Product liability:** the responsibility of manufacturers for injuries and damages caused by their products

**Recycling:** reprocessing of used materials for reuse

**Sarbanes-Oxley Act of 2002:** federal legislation designed to deter and punish corporate and accounting fraud and corruption and to protect the interests of workers and shareholders through enhanced financial disclosures, criminal penalties on CEOs and CFOs who defraud investors, safeguards for whistle-blowers, and establishment of a new regulatory body for public accounting firms

**Sexism:** discrimination against members of either sex, but primarily affecting women

**Sexual harassment:** unwelcome and inappropriate actions of a sexual nature in the workplace

**Social audit:** formal procedure that identifies and evaluates all company activities that relate to social issues such as conservation, employment practices, environmental protection, and philanthropy

**Social responsibility:** business’s consideration of society’s well-being and consumer satisfaction, in addition to profits

**Stakeholders:** customers, investors, employees, and public affected by or with an interest in a company

**Sustainable:** the capacity to endure in ecology

**Whistle-blowing:** employee’s disclosure to company officials, government authorities, or the media of illegal, immoral, or unethical practices committed by an organization

**Learning Objective 1: Explain the concern for ethical and societal issues.**

*Business ethics refers to the standards of conduct and moral values that businesspeople rely on to guide their actions and decisions in the workplace. Businesspeople must take a wide range of social issues into account when making decisions.*

*Social responsibility refers to management’s acceptance of the obligation to put an equal value on profit, consumer satisfaction, and societal well-being in evaluating the firm’s performance.*

**Annotated Lecture Notes**

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| **Opening Vignette:**  **PepsiCo’s Chickpeas to Relieve World Hunger**  PepsiCo, a business that generates an average of $60 billion in annual revenue, is making plans to partner up with the United Nations Food Program to help bolster sales and encourage healthy eating. PepsiCo will focus on Ethiopia, which currently has roughly 100,000 farmers who grow chick peas annually, a lot of which is exported to U.S. industries like PepsiCo who use it for one of the ingredients in their hummus products. PepsiCo’s goal is to provide the farmers with the proper funding and seeds so that they are able to produce chickpea crops twice rather than once a year. While this will help shape Ethiopia as an exporter, the chick peas will also address world hunger, as the crop can be used to make Wawa Mum, a efficient, protein-packed meal that has already proven to nourish populations affected by famine in Pakistan. |  |
| ***CONCERN FOR ETHICAL AND SOCIETAL ISSUES*** | PowerPoint Slide 3 |
| **1. Business Ethics**  Business ethics are the standards of conduct and moral values regarding right and wrong actions in the work environment. |  |

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| **2. Business Ethics in Practice** |  |
| a. Conflicts sometimes arise when trying to serve the different needs of a firm’s separate constituencies—customers, employees, investors, and society as a whole. | *Lecture Enhancer:  Can you think of a situation in which the needs of investors might be in conflict with the needs of customers?* |
| b. Businesses must balance between doing what is right and doing what is profitable. |  |
| c. Business ethics are shaped by: |  |
| * + 1. the ethical values of executives and individual employees |  |
| * + 1. the ethical climate—a company’s stated beliefs and real actions |  |
| iii. a company’s code of conduct and ethical standards |  |
| iv. a framework to encourage high ethical standards from workers. |  |

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**Assessment Check Answers:**

**1.1 To whom do businesses have responsibilities*?***

*Businesses are responsible to customers, employees, investors, and society.*

**1.2 If a firm is meeting all its responsibilities to others, why do ethical conflicts arise?**

*Ethical conflicts arise because businesses must balance doing what is right and doing what is profitable.*

**Learning Objective 2: Describe the contemporary ethical environment.** *Among the many factors shaping individual ethics are personal experience, peer pressure, and organizational culture. Individual ethics also are influenced by family, cultural, and religious standards. In addition, the culture of the organization where a person works can be a factor.*

**Annotated Lecture Notes**

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| ***THE CONTEMPORARY ETHICAL ENVIRONMENT*** | PowerPoint Slide 4 |
| **1. The Ethical Environment** |  |
| 1. Business ethics are in the spotlight as companies have to work harder to earn public trust. | *Lecture Enhancer:  Can you think of a recent example where a company may have acted unethically?* |
| 1. Most managers have led companies without breaking the rules. Johnson & Johnson provides one example of longstanding commitment to ethical practice: |  |
| 1. most-admired pharmaceutical maker |  |
| 1. 9th most-admired company in the world |  |
| 1. has abided by the same basic code of ethics, called its Credo, for more than 50 years | Figure 2.1 Johnson & Johnson Credo |
| 1. the Credo remains the standard against which employees evaluate how well the firm is performing. |  |
| 1. Many companies are conscious of how ethical standards can translate into concern for the environment. Walmart provides one example: |  |
| * + 1. Walmart introduced three sustainability goals: 1) use renewable energy sources, 2) recycle, 3) sell products that sustain people and the environment. |  |
| * + 1. Walmart created a sustainability index so that customers can assess the societal and environmental impact of products in its stores. | *Lecture Enhancer: Do you find these results surprising or unexpected?* |
| 1. The ethical environment seems to be improving despite the recession. A recent survey conducted by the Ethics Resource Center found: |  |
| 1. workplace misconduct had decreased |  |
| 1. more employees said they reported misconduct when they saw it |  |
| 1. some employees reported that despite strong ethical cultures, they still felt pressure to cut corners in the difficult economy. | *Lecture Enhancer: Why might some company leaders believe that lowering the company’s ethical standards would help it survive the recession?* |
| **2. Government Regulations** | PowerPoint Slide 5 |
| a. Sarbanes-Oxley Act of 2002: Federal legislation designed to deter and punish corporate and accounting fraud and corruption and to protect the interests of workers and shareholders through enhanced financial disclosures, criminal penalties on CEOs and CFOs who defraud investors, safeguards for whistle-blowers, and establishment of a new regulatory body for public accounting firms. |  |
| * + 1. The act established new regulations for securities trading and accounting practices. |  |
| * + 1. Companies must publish their code of ethics and inform the public of any changes to it. |  |
| * + 1. It may encourage companies to write codes and guidelines for ethical behavior. | *Lecture Enhancer*  *Why might some company leaders believe that lowering the company’s ethical standards would help it survive the recession?* |
| * 1. U.S. Sentencing Commission institutionalizes ethics compliance programs that set high ethical standards to end corporate misconduct. | Table 2.1 Minimum Requirements for Ethics Compliance Programs |
| **3. How Companies Regulate Themselves** |  |
| * 1. Companies appoint ethics compliance officers who: |  |
| * + 1. conduct employee training programs that help spot potential fraud and abuse within the firm |  |
| * + 1. investigate sexual harassment and discrimination charges |  |
| * + 1. monitor any potential conflicts of interest. |  |
| * 1. Many companies have a three-pronged approach to addressing ethics and social responsibility: |  |
| i. engage in corporate philanthropy | *Lecture Enhancer: Share an example of a company that uses corporate philanthropy to highlight its social responsibility.* |
| ii. anticipate and manage risks |  |
| iii. identify opportunities to create value by doing the right thing. |  |
| **4. Individuals Make a Difference** | PowerPoint Slide 6 |
| 1. Individuals can affect ethical expectations and behavior in the workplace. | *Lecture Enhancer: How might one individual affect overall ethical behavior in the workplace?* |
| 1. Some workers act illegally or unethically on the job. |  |
| 1. The National Business Ethics Survey identifies unethical behavior as 1) putting one’s own interests ahead of the organization, 2) lying, 3) misreporting hours worked, 4) Internet abuse, and 5) safety violations, among others. |  |
| c. Technology has expanded the range and impact of unethical behavior. |  |
| i. Computers allow anyone with access the potential to steal data or shut down a system. |  |
| ii. One recent data breach exposed 2.6 million customer records. |  |
| iii. Long-term customers may be lost if a company’s image is tarnished after a breach in security. |  |
| d. Nearly every employee wrestles with ethical questions at some point. |  |
| i. Some rationalize unethical behavior by saying “Everybody’s doing it.” |  |
| ii. Some act unethically when forced to meet performance quotas. |  |
| iii. Others avoid actions that conflict with personal values and morals. |  |
| **1. Development of Individual Ethics** | PowerPoint Slide 7 |
| 1. People develop ethical standards in three stages: preconventional, conventional, and postconventional. | Figure 2.2 Stages of Moral and Ethical Development |
| a. Stage 1 = preconventional stage: |  |
| 1. Individuals consider their own needs and desires when making decisions. |  |
| 1. Individuals obey external rules only because they fear punishment or hope for rewards. |  |
| b. Stage 2 = conventional stage: |  |
| 1. Individuals act based on their duty to others, including family, coworkers, and organizations. |  |
| 1. They decide what is acceptable based on the influence of these groups. |  |
| 1. Self-interest still plays a key role in decisions. |  |
| 1. Stage 3 = postconventional stage: |  |
| 1. Highest level of ethical and moral behavior |  |
| 1. Individual moves beyond self-interest and duty to thinking of the larger needs of society. |  |
| 1. Individual has developed personal ethical principles and applies those principles to determine what is right or wrong in a situation. | **Business Etiquette:** **Business Etiquette 101** |
| **2. On-the-Job Ethical Dilemmas** |  |
| 1. Some CEOs who were accused of wrongdoing simply claimed that they had no idea crimes were being committed. |  |
| 2. Today’s top CEOs are making a greater effort to be informed of all activities taking place in their firms. |  |
| a. Determining what to do with unsold merchandise can be a dilemma. |  |
| b. Some firms have refused to do business with nations known for human rights abuses. |  |
| *Four common ethical challenges*: conflict of interest, honesty and integrity, loyalty versus truth, and whistle-blowing | PowerPoint Slide 8Figure 2.3 Common Business Ethical Challenges |
| **3. Conflicts of Interest** |  |
| * 1. A conflict of interest occurs when a businessperson is faced with a situation in which an action benefiting one person or group has the potential to harm another. |  |
| * + 1. A person’s interests might conflict with those of someone to whom the person has an obligation. |  |
| * + 1. A person may do business with two parties with opposing interests; a strategy that helps one might hurt the other. |  |
| * + 1. Individual interests might clash with those of an organization or its customers, including the receipt of gifts or bribes. | *Class Activity:*  *Ask students if they think accepting Super Bowl tickets and trip expenses from a potential major supplier might affect their decision making as a buyer of that company’s products.* |
| * + 1. A person might hold two or more similar jobs in two different workplaces. |  |
| * 1. Ethical ways of handling conflicts of interest include: |  |
| * + 1. avoiding them |  |
| * + 1. disclosing them. | *Lecture Enhancer: Have you ever been challenged by an ethical question at work?* |
| **4. Honesty and Integrity** |  |
| * 1. Employers value honesty and integrity. |  |
| * + 1. An employee who is honest can be expected to tell the truth. |  |
| * + 1. An employee with integrity goes beyond truthfulness by sticking to deeply felt ethical principles and acting on them. |  |
| * + 1. Integrity means doing what you say you will do and taking responsibility for mistakes. |  |
| * 1. Honesty and integrity inspire trust. | *Lecture Enhancer: Think of a hypothetical situation where the honesty and integrity of an employee might help to inspire a customer’s trust in the company.* |
| * + 1. This helps build relationships with customers, suppliers, employers, and the public. |  |
| * + 1. Employees want companies to treat them with honesty and integrity. |  |
| * 1. Workplace violations of honesty and integrity are common. |  |
| * + 1. People misrepresent academic credentials and previous work experience on résumés. |  |
| * + 1. Some take home office supplies or products without permission. |  |
| * + 1. Many do personal business at work. |  |
| * 1. Electronic monitoring allows firms to monitor excessive or illicit Internet use and to keep client data secure. |  |
| **5. Loyalty Versus Truth** |  |
| * 1. Businesspeople expect employees to be loyal and to act in the best interests of the company. |  |

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| * 1. When the truth about a firm is not favorable, ethical conflicts arise. | *Class Activity:*  *Obtain examples of workplace situations in which students struggled with whether their employer was misrepresenting important product information.* |
| * + 1. Individuals have to decide between loyalty to the company and truthfulness. |  |
| * + 1. Some value loyalty at the expense of truth. |  |
| * + 1. Some avoid volunteering negative information but answer truthfully if someone asks them a specific question. |  |
| * + 1. Others value the truth and disclose negative information, especially concerning health or safety issues. |  |
| **6. Whistle-Blowing** |  |
| * 1. Whistle-blowingis an employee’s disclosure to company officials, government authorities, or the media of illegal, immoral, or unethical practices. |  |
| * 1. When an individual encounters unethical or illegal actions at work, that person must decide what action to take. |  |
| * 1. The firm may resolve issues itself. |  |
| * 1. If that fails, the person should weigh the potential damages to the greater public good versus the company. |  |
| * 1. Whistle-blowing may be the only option when: |  |
| * + 1. unethical behavior is causing significant damage |  |
| * + 1. potential damage to others outweighs the risk of retaliation. |  |
| * 1. The risks can be real, as whistle-blowers have been fired, threatened, and harassed. |  |
| * 1. Laws protect whistle-blowers. |  |
| * + 1. The Sarbanes-Oxley Act requires that firms provide ways to anonymously report accusations of fraud. |  |
| * + 1. Anyone who retaliates against a whistle-blower can be prosecuted. |  |
| * + 1. Those who are wrongly treated can file a complaint with the U.S. Department of Labor. | *LECTURE ENHANCER: Discuss whether the companies for which students work have policies in place to protect whistleblowers and provide a clear pathway for reporting questionable incidents.* |

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**Assessment Check Answers:**

**2.1 What role can an ethics compliance officer play in a firm?**

*Ethics compliance officers are charged with deterring wrongdoing and ensuring that ethical standards are met.*

**2.2 What factors influence the ethical environment of a business?**

*Individual ethics and technology influence the ethical environment of a business.*

**Learning Objective 3:**

**Discuss how organizations shape ethical conduct.**

*In the preconventional stage, individuals primarily consider their own needs and desires in making decisions. They obey external rules only from fear of punishment or hope of reward. In the conventional stage, individuals are aware of and respond to their duty to others. Expectations of groups, as well as self-interest, influence behavior. In the postconventional stage, the individual can move beyond self-interest and duty to include consideration of the needs of society. A person in this stage can apply personal ethical principles in a variety of situations.*

*Employees are strongly influenced by the standards of conduct established and supported within the organizations where they work. Businesses can help shape ethical behavior by developing codes of conduct that define their expectations. Organizations also can provide training to develop employees’ ethics awareness and reasoning. Executives must demonstrate ethical behavior in their decisions and actions to provide ethical leadership.*

**Annotated Lecture Notes**

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| ***HOW ORGANIZATIONS SHAPE ETHICAL CONDUCT***  Development of a corporate culture to support business ethics happens on four levels:  – ethical awareness – ethical reasoning – ethical action – ethical leadership. | PowerPoint Slide 9 Figure 2.4 Structure of an Ethical Environment |
| **1. Ethical Awareness** |  |
| * 1. The foundation of an ethical climate is ethical awareness. | PowerPoint Slide 10 |
| * 1. A code of conduct is a formal statement that defines how the firm expects its workers to resolve ethical questions. |  |
| * + 1. It may specify rules for acceptable behavior. | **Solving an Ethical Controversy**  **Are Businesses Protecting Themselves from Social Media Abuse?** |
| * + 1. It may identify key corporate values and state how to address moral and ethical issues. |  |
| * + 1. Some firms incorporate codes in their policy manuals or mission statements. | *Class Activity:*  *Survey the class to see how many students work for companies that enforce a code of ethics.* |
| **2. Ethical Education** | PowerPoint Slide 11 |
| * 1. Businesses must provide the tools employees need to evaluate the options and arrive at suitable decisions. |  |
| * 1. Some firms run ethics training programs. |  |
| * + 1. Workers practice using ethical values in hypothetical scenarios. |  |
| * + 1. They then can apply the training to real-world situations. |  |
| **3. Ethical Action** | PowerPoint Slide 12 |
| * 1. Firms provide structures that show how to turn decisions into actions. | *Class Activity:*  *Ask students if they can think of any examples where an action may be legal but unethical.* |
| * 1. Goals set for the organization, departments, or individuals affect ethical behavior. |  |
| * + 1. Unrealistic goals may lead to questionable behavior. |  |
| * + 1. The value of speed creates a climate that prevents careful thought and challenges ethical behavior. |  |

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| * 1. Companies can support employees facing moral dilemmas by offering a hotline. |  |
| * 1. Ethics compliance officers can help workers. |  |
| **4. Ethical Leadership** | PowerPoint Slide 13 |
| 1. Executives must demonstrate ethical behavior in their actions. | *Class Activity:*  *Ask students for examples of leaders who “walked the talk” and provided strong ethical leadership.* |
| 1. Firms need to charge each employee with the responsibility to be an ethical leader. |  |
| 1. All workers should be made aware of problems and defend company standards. |  |
| 1. Not all organizations build a framework of business ethics. |  |
| * + 1. Damage from misconduct affects stakeholders—customers, investors, employees, and the public. |  |
| * + 1. Legislation regulates businesses that fail to regulate themselves. |  |
| * + 1. Laws focus on international business, small business, labor unions, banking, and securities. |  |

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**Assessment Check Answers:**

**3.1 What is the preconventional stage in the development of ethical standards?**

*In the preconventional stage, the individual looks out for his or her own interests and follows rules out of fear of punishment or hope of reward.*

**3.2 How can loyalty and truth come into conflict for an employee?**

*Truth and loyalty can come into conflict when the truth about a company or situation is unfavorable.*

**3.3 How does ethical leadership contribute to ethical standards throughout a company?**

*Employees more readily commit to the company’s core values when they see that leaders and managers behave ethically.*

**Learning Objective 4: Describe how businesses can act responsibly to satisfy society.** *Today’s businesses are expected to weigh their qualitative impact on consumers and society, in addition to their quantitative economic contributions such as sales, employment levels, and profits. One measure is their compliance with labor and consumer protection laws and their charitable contributions. Another measure some businesses take is to conduct social audits. Public-interest groups also create standards and measure companies’ performance relative to those standards.*

*The responsibilities of business to the general public include protecting the public health and the environment and developing the quality of the workforce. In addition, many would argue that businesses have a social responsibility to support charitable and social causes in the communities in which they earn profits. Business also must treat customers fairly and protect consumers, upholding their rights to be safe, to be informed, to choose, and to be heard. Businesses have wide-ranging responsibilities to their workers. They should make sure that the workplace is safe, address quality-of-life issues, ensure equal opportunity, and prevent sexual harassment and other forms of discrimination.*

**Annotated Lecture Notes**

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| ***ACTING RESPONSIBLY TO SATISFY SOCIETY*** | PowerPoint Slide 14 |
| **1. Social Responsibility** |  |
| * 1. Social responsibility is management’s acceptance of the obligation to consider profit, consumer satisfaction, and societal well-being of equal value when evaluating the firm’s performance. |  |
| * + 1. Firms not only look at profit and sales. |  |
| ii. They are concerned with employee, consumer, and societal benefits. |  |
| * 1. Business is socially responsible because: |  |
| * + 1. it is required by law |  |
| * + 1. it enhances the company’s image | **Going Green:** **Starbucks Redesigns Its Stores. Now, What about the Cup?** |
| * + 1. it is ethical. |  |
| **2. Measuring Social Responsibility** |  |
| 1. Historically, the social responsibility of a firm was measured by its contribution to the economy and the employment opportunities it offered. |  |
| b. Today, additional measurements of social responsibility include: |  |
| 1. equal employment |  |
| 1. cultural diversity |  |
| 1. environmental concerns | *Lecture Enhancer: Provide an example of a business in your local area that makes environmental concerns a priority.* |
| 1. safe work environment |  |
| 1. safe, high-quality products. |  |
| c. Measurements include interactions with the community. Firms highlight their: |  |
| * + 1. charitable contributions |  |
| * + 1. community service. |  |
| d. Social audits are formal procedures that identify and evaluate company activities as they relate to the following social issues: |  |

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| * + 1. Conservation, the environment, employment practices, and philanthropy. |  |
| * + 1. Social audits show how a company performs and outline improvements. |  |
| e. Outside groups evaluate businesses. |  |
| * + 1. Environmental, religious, or public-interest groups create standards of performance. |  |
| * + 1. They make evaluations available to the public. |  |
| f. The social responsibility of a business can be classified according to its relationships with: | PowerPoint Slide 15  Figure 2.5 Business’s Social Responsibilities |
| * + 1. the general public |  |
| * + 1. its customers |  |
| * + 1. its employees |  |
| * + 1. investors and members of the financial community. |  |
| **3. Responsibilities to the General Public** | PowerPoint Slide 16 |
| * 1. **Public-Health Issues** |  |
| i. What should businesses do about dangerous products? |  |

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| ii. What should businesses do about serious health conditions such as heart disease, diabetes, obesity, and substance abuse? | *Class Activity: Can students think of any examples of products that have portrayed or distorted their food products or beverages as “healthy” when, in fact, they are not?* |
| * 1. **Protecting the Environment** |  |
| * + 1. Businesses impact the environment through energy consumed, waste produced, and natural resource use. |  |
| * + 1. Some businesses include steps for protecting the environment in their corporate philosophy. |  |
| * + 1. Companies are focusing on sustainability: operating in ways that minimize environmental impact as well as replacing used resources. |  |
| iv. Finding ways to minimize pollution has become an important economic, legal, and social issue. | *Class Activity:*  *Discuss how students have disposed of their old computers or related equipment.* |
| v. Recycling—reprocessing used materials for reuse—can provide manufacturers with materials while reducing pollution. | **Hit & Miss: Pacific Biodiesel Recycles Oil from French Fries to Fuel** |

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| vi. Green marketing is a marketing strategy that promotes environmentally safe products and production methods. – Firms must follow FTC guidelines and provide scientific evidence of being environmentally friendly. | Figure 2.6 FTC Guidelines for Environmental Claims in Green Marketing  *Lecture Enhancer:  Can you think of a product that uses green marketing?* |
| vii. A growing focus is finding renewable sources of clean energy and developing sustainable agriculture. |  |
| **c. Developing the Quality of the Workforce** |  |
| * + 1. In the past, a nation’s wealth was based on its money, production equipment, and natural resources. |  |
| * + 1. A country’s true wealth lies in its people. |  |
| * + 1. An educated, skilled workforce provides the know-how to develop technology and compete globally. |  |
| * + 1. To remain competitive, U.S. businesses must assume more responsibility for improving the quality of its workforce. | *Lecture Enhancer: What is one way in which a company could improve the quality of its workforce?* |
| * + 1. Because many new jobs require college-educated workers, the gap between the highest-paid and lowest-paid workers has increased. |  |
| * + 1. Diversity programs allow women, minorities, and the physically challenged workers to contribute fully. |  |

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| **d. Corporate Philanthropy** |  |
| 1. Corporate philanthropy refers to the donation to not-for-profits of billions of dollars annually in the form of cash, free equipment and products, and employee volunteer efforts. |  |
| 1. It can boost employee morale, enhance company image, and improve customer relationships. |  |
| 1. In cause-related marketing, firms align advertising with charitable giving and corporate sponsorships. |  |
| 1. Encouraging volunteerism among employees is another form of corporate philanthropy. |  |
| **4. Responsibilities to Customers** | PowerPoint Slide 17 |
| Consumerism is the public demand that a business consider the wants and needs of its customers in making decisions. |  |
| Consumerism is based on the belief that consumers have certain rights. | Figure 2.7 Consumer Rights as Proposed by President Kennedy |
| 1. **The Right to Be Safe** |  |
| * + 1. Businesses must ensure that their products operate safely. | *Lecture Enhancer: What is a company ethically required to do if it discovers one of its products may not be safe?* |
| * + 1. Product liability is the responsibility of manufacturers for injuries and damages caused by their products. |  |
| * + 1. A company must thoroughly test its products. |  |
| **b. The Right to Be Informed** |  |
| 1. Consumers should have access to product information to make responsible buying decisions. |  |
| 1. Truth in advertising is protected by rules and regulations set up by the FTC and other agencies. |  |
| 1. It is illegal for a business to make unsubstantiated claims about its merchandise. |  |
| 1. The FDA sets standards for advertising by drug manufacturers as well as dietary supplements. |  |
| 1. All communications with customers—including salespeople’s comments, warranties, and invoices—must be clear and accurate. | Figure 2.8 Actual Wacky Warning Labels |
| **c. The Right to Choose** |  |
| i. Consumers have the right to choose which goods and services they need and want to purchase. |  |
| ii. Socially responsible companies preserve this right, even if it has a negative impact on sales and profits. |  |
| **d. The Right to Be Heard** |  |
| i. Consumers have the right to express legitimate complaints. |  |
| ii. Many companies ensure full hearings for consumer complaints. |  |

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| **5. Responsibilities to Employees** | PowerPoint Slide 18 |
| Businesses are responsible to workers here and abroad in terms of safety, quality-of-life issues, and equal opportunity. |  |
| They must avoid age discrimination, sexism, and sexual harassment. |  |
| 1. **Workplace Safety** | *CLASS ACTIVITY****:***  *Ask students if they have ever observed a workplace safety issue at work.* |
| 1. A century ago, workplace safety was of little concern. |  |
| 1. OSHA (Occupational Safety and Health Administration) was established to set workplace safety and health standards. |  |
| 1. It creates rules for specific industries, tracks workplace accidents, and has the authority to fine employers who are found liable for injuries and deaths. |  |
| 1. 70 teens die every year in the United States as a result of work injuries, mostly due to unsafe equipment, inadequate training, and dangerous or illegal work. |  |
| 1. **Quality-of-Life Issues** |  |
| i. Balancing work and family is becoming harder due to changing demographics. |  |
| ii. Working mothers and single parents must handle childcare issues while working long hours. |  |
| iii. Many are in the sandwich generation, caring for young children and elderly parents at the same time. |  |
| iv. Some firms offer telecommuting, flexible schedules, job sharing, and access to childcare. |  |
| v. Some women are starting their own businesses so that they can set their own hours and goals. | **Hit & Miss: Finding Work–Life Balance for the Sandwich Generation** |
| vi. Some companies are approaching paid time off in innovative ways, such as allowing open-ended vacation time as long as projects are completed. | *Lecture Enhancer: How do you think firms should handle absenteeism?* |
| vii. The Family and Medical Leave Act says firms of 50 or more must give unpaid leave to workers dealing with parenting issues, family health, or their own serious illness. |  |
| **c. Ensuring Equal Opportunity on the Job** |  |
| * + 1. Businesses face challenges in managing an increasingly diverse workforce. |  |
| – Technological advances are expanding the ways people with disabilities can contribute in the workplace. |  |
| – Businesses need to find ways to responsibly recruit and manage older workers. |  |
| – Companies have begun to provide benefits regardless of the sexual orientation of employees. |  |
| * + 1. Diversity in business is largely regulated by law. |  |
| * + 1. The Civil Rights Act (1964) outlawed discriminatory practices, and Title VII of this Act specifically prohibits discrimination—biased treatment of a job candidate or employee—in the workplace. | Table 2.2 Laws Designed to Ensure Equal Opportunity |

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| * + 1. The EEOC (Equal Employment Opportunity Commission) was created to increase job opportunities for women and minorities and to end discrimination based on race, color, religion, disability, gender, or national origin in any personnel action. |  |
| – investigates charges of discrimination and harassment |  |
| – files lawsuits against violators |  |
| – helps employers set up programs to increase job opportunities for people in protected categories |  |
| – starting to focus on “systemic discrimination,” where the alleged discrimination has a broad impact on an industry, profession, company, or geographic location. |  |
| **d. Age Discrimination** |  |
| 1. More than half the workforce will be age 40 or older in a few years. |  |
| 1. Some employers find it less expensive to hire and retain younger workers, who have lower salaries and fewer benefits than older workers. | ***CLASS ACTIVITY:*** *Ask students to provide examples of older executives.* |
| 1. The Age Discrimination in Employment Act of 1967 (ADEA) protects individuals who are age 40 or older. |  |
| 1. Older workers might not only have more experience but more enthusiasm. |  |
| 1. The 55-to-64 age group will increase from 18 to 24 percent of the workforce during the next few years. |  |
| **e. Sexual Harassment and Sexism** |  |
| 1. Sexual harassment refers to unwelcome or inappropriate action of a sexual nature in the workplace. |  |
| 1. It violates the Civil Rights Act of 1964, which protects both men and women. |  |
| 1. Nearly 14,000 sexual harassment complaints are filed with the EEOC each year, of which 16 percent are filed by men. |  |
| 1. Two types of sexual harassment:   1) When an employee is pressured to comply with unwelcome advances and requests for sexual favors in return for job security, promotions, or raises  2) A hostile work environment in which an employee feels hassled or degraded because of unwelcome flirting, lewd comments, or obscene jokes. | *Class Activity:*  *Ask students to provide recent examples of sexual harassment.* |
| 1. The rules include sexually oriented materials in the workplace as well as the behavior of clients and customers of a firm. |  |
| 1. The costs of lawsuit settlements or fines can be enormous. |  |

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| 1. An effective program should include a policy statement, complaint procedure, open work atmosphere, and ways to investigate issues and discipline offenders. |  |
| 1. Sexism is a broad term applying to workplace discrimination against members of either sex, although usually women. |  |
| 1. Equal pay for equal work is an important sexism issue. |  |
| 1. Statistics continue to show that women still only earn 77 cents for every 1 dollar earned by men, on average. |  |

**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Going Green:**

**Starbucks Introduces a New Store-Design Strategy**

**Summary**

Starbucks announced in June 2009 that as it builds new stores and renovates existing ones, it will keep two goals in mind: reflecting the character of the neighborhood and reducing environmental impact. The next challenge is finding innovative ways to reduce the number of disposable coffee cups through recycling or some other way.

**Questions for Critical Thinking**

**1. How do Starbucks’ new plans for its stores reflect its sense of social responsibility?**

*Starbucks’ new plans for its stores reflect its sense of social responsibility because they consider the well-being of society as a whole. Starbucks wants to respond to its customers’ values by operating in an environmentally sound manner.*

**2. How has Starbucks reached out to customers and the community in order to reach its sustainability goals? Why is this an important step for the business?**

*Starbucks has involved local artists and plans to design its stores in keeping with the individual character of its customers’ neighborhoods and with an emphasis on being more “green.” It is also working with suppliers to make recycling and using recycled materials central to its operations. The commitment of Starbucks and its customers is evident in the number of customers who use their own travel mugs for Starbucks’ coffee.*

**Hit & Miss:**

**Pacific Biodiesel Recycles Oil from French Fries to Fuel**

**Summary**

Robert King and Daryl Reece founded Pacific Biodiesel, which produces and sells biodiesel fuel made from used restaurant oil. Pacific Biodiesel also designs, builds, and supports biodiesel plants around the country. Biodiesel can be used in any diesel engine. It is produced from renewable resources, cuts down on pollutants, and reduces dependency on foreign oil.

**Questions for Critical Thinking**

**1. How might Pacific Biodiesel spread the message that recycling is good business as well as good for the environment? How might it reach out to other industries?**

*Pacific Biodiesel could spread the message that recycling is good business as well as good for the environment by employing a green marketing campaign. It might reach out to other industries by offering to share its technology and methods for recycling restaurant oil into fuel for diesel engines.*

**2. How does Pacific Biodiesel fulfill its responsibilities to the general public?**

*Pacific Biodiesel fulfills its responsibilities to the general public by consuming fewer fossil fuels, polluting less, and recycling.*

**Hit & Miss:**

**Finding Work–Life Balance for the Sandwich Generation**

**Summary**

Full-time employees known as the “sandwich generation” often feel “squeezed” from juggling work with the duties of caring for either elderly relatives or children. These workers account for $34 billion in lost productivity each year. That’s why some companies, like Jim Johnson’s Denver-based Johnson Storage & Moving Co., are allowing full-time employees to work in their home offices while still granting them all company benefits. Johnson’s business is family-based and operates 24 hours a day in 5 different stays. Thanks to his decision in 1995 to implement the flexible work program, employees like Tina Heaney no longer have to worry about income or insurance benefits when they choose to expand their families.

**Questions for Critical Thinking**

**1. Do you agree with Jim Johnson that satisfied employees are important? Why or why not?**

*Answer will vary. One possible response is that Jim Johnson’s conviction that satisfied employees are important is true because satisfied employees would be more willing to stay in the company and dedicate more time and energy into production because there would be a greater level of satisfaction.*

**2. What might prevent some companies from offering programs like Johnson’s?**

*Some managers may decide that establishing flexible employee programs wouldn’t be best for their companies because it would be more difficult for business to have a central location if there weren’t many employees present. Also, managers may believe that employees working from home would be distracted and unable to work the full amount of hours expected.*

**Assessment Check Answers:**

**4.1 What is meant by social responsibility, and why do firms exercise it?**

*Social responsibility is management’s acceptance of its obligation to consider profit, consumer satisfaction, and societal well-being to be of significant value when evaluating the firm’s performance. Businesses demonstrate social responsibility because it is required by law, because it enhances the company’s image, or because management believes it is the right thing to do.*

**4.2 What is green marketing?**

*Green marketing is a marketing strategy that promotes environmentally safe products and production methods.*

**4.3 What are the four main consumer rights?**

*The four main consumer rights are the right to be safe, to be informed, to choose, and to be heard.*

**Learning Objective 5: Explain the ethical responsibilities of businesses to investors and the financial community.** *Investors and the financial community demand that businesses behave ethically as well as legally in handling their financial transactions. Businesses must be honest in reporting their profits and financial performance to avoid misleading investors. The Securities and Exchange Commission is the federal agency responsible for investigating suspicions that publicly traded firms have engaged in unethical or illegal financial behavior.*

**Annotated Lecture Notes**

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| ***RESPONSIBILITIES TO INVESTORS AND THE FINANCIAL COMMUNITY*** | PowerPoint Slide 19 |
| Business has an obligation to make a profit for its shareholders. |  |
| Investors expect legal and ethical behavior. | *Lecture Enhancer: What might be some consequences for investors if a business does not act ethically or legally?* |
| State and federal agencies protect investors from financial misdeeds. |  |
| * 1. The Securities and Exchange Commission (SEC) investigates suspicions of unethical or illegal behavior by publicly traded firms. |  |
| * + 1. The SEC investigates accusations of faulty accounting practices. |  |
| * + 1. Regulation FD (Fair Disclosure) is an SEC rule that requires publicly traded companies to announce information to the general public first, rather than to selected investors. |  |

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| * + 1. The agency targets fraud in online trading through its Office of Internet Enforcement. |  |
| * 1. The Sarbanes-Oxley Act of 2002 also protects investors from unethical accounting practices. |  |

**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Assessment Check Answers**

**5.1 Why do firms need to do more than just earn a profit?**

*Firms need to do more than just earn a profit because they should behave in an ethical manner and because investors and shareholders demand such behavior.*

**5.2 What is the role of the Securities and Exchange Commission?**

*Among other functions, the Securities and Exchange Commission investigates suspicions of unethical or illegal behavior by publicly traded firms.*

**Answers to Review Questions**

**1. What do the terms *business ethics* and *social responsibility* mean? Why are they important components of a firm’s overall philosophy toward conducting business?**

*Business ethics are the standards of conduct and moral values governing actions and decisions in the work environment (examples: a firm keeps promises, honestly reports its financial status, expects employees to report concerns over unethical behavior).*

*Social responsibility refers to the belief system of a company as well as its philosophies, policies, procedures, and actions that hope to enhance society’s welfare (examples: a firm writes a code of conduct, considers the impact on the environment before making a decision, works with community groups or charitable causes).*

*They are important components of a firm’s overall philosophy because businesses must find the delicate balance between doing what is right and doing what is profitable.*

**2. In what ways do individuals make a difference in a firm’s commitment to ethics? Describe the three stages in which an individual develops ethical standards.**

*Individuals can make a difference in a firm’s commitment to ethics through their ethical expectations and behavior. As executives, managers, and employees demonstrate their personal ethical principles—or lack of ethical principles—the expectations and actions of those who work for and with them can change. Four factors are usually involved: life experiences; family, educational, cultural, and religious background; environment within the company; and personal style.*

* *In the preconventional stage, people think of their own needs and desires and obey external rules due to fear of punishment or hope of reward.*
* *In the conventional stage, they respond based on duty to others (family, coworkers, and organizations) and decide what is acceptable or unacceptable based on the influence of these groups, with self-interest still playing a role.*
* *In the postconventional stage, they think of the larger needs of society, relying on their own ethical principles to decide what is right and what action to take.*

1. **What type of ethical dilemma does each of the following illustrate? (A situation might involve more than one dilemma.)**
2. Due to the breakup with a client, an advertising agency suddenly finds itself representing rival companies.
3. A newly hired employee learns that the office manager plays computer games on company time.
4. An employee is asked to destroy documents that implicate his or her firm in widespread pollution.
5. A company spokesperson agrees to give a press conference that puts a positive spin on his or her firm’s use of sweatshop labor.

*a. Conflict of interest—deciding on a course of action when it may benefit one person or group and harm another, or when it may benefit a personal situation*

*b. Honesty and integrity—deciding whether to act on deeply felt ethical principles, beyond just telling the truth*

*c. Conflict of interest—deciding on a course of action when it may benefit one person or group and harm another, or when it may benefit a personal situation*

*d*. *Whistle-blowing—deciding whether to disclose to authorities an organization’s unethical or illegal actions*

*Loyalty versus truth—deciding whether to go to authorities with information or to protect a company when the truth about a firm is unfavorable*

*e*.  *Honesty and integrity—deciding whether to act on deeply felt*

*ethical principles, beyond just telling the truth*

*Loyalty versus truth—deciding whether to go to authorities with information or to protect a company when the truth about a firm is unfavorable*

**4. Describe how ethical leadership contributes to the development of each of the other levels of ethical standards in a corporation.**

*Ethical leadership dictates that managers not only talk about ethical behavior but also show it in their actions, including admitting their mistakes and trying to correct them. Ethical leadership charges each employee at every level with the responsibility to be an ethical leader. Everyone should be aware of problems and be willing to defend the organization’s standards. This requires the other levels of ethical standards. Ethical awareness allows employees to get help in identifying ethical problems when they occur and in understanding the firm’s response. Ethical reasoning shows workers how to weigh options and make suitable decisions when complicated issues come up. Ethical action provides structures and approaches that show workers how to turn decisions into actions.*

**5. In what ways do firms demonstrate their social responsibility?**

*They demonstrate social responsibility by contributing to the overall economy, providing for equal employment opportunity, respecting cultural diversity, developing the quality of the workforce, dealing with public health issues, responding to environmental concerns, providing a safe workplace, and supporting charitable or social not-for-profit organizations.*

**6. What are the four major areas in which businesses have responsibilities the general public? In what ways can meeting these responsibilities give a firm a competitive edge?**

* *Public Health Issues: What to do about inherently dangerous products such as alcohol, tobacco, vaccines, and steroids.*
* *Protecting the Environment:* *Using resources efficiently, minimizing pollution. Recycling—Reprocessing used materials for reuse.*
* *Developing the Quality of the Workforce: Enhancing quality of the overall workforce through education and diversity initiatives.*
* *Corporate Philanthropy:* *Cash contributions, donations of equipment and products, and supporting the volunteer efforts of company employees.*

*The firm will have a competitive edge due to increased employee morale, better team-building skills, enhanced company image, stronger customer relations, and an improved standing in the community.*

**7. Identify and describe the four basic rights that consumerism tries to protect. How has consumerism improved the contemporary business environment? What challenges has it created for businesses?**

*Consumerism protects the right to be safe, to be informed, to choose, and to be heard. It has increased product safety, provided information to consumers, increased competition, offered a wider variety of choices, promoted truth in advertising, and monitored unethical activities and fraud.*

*Challenges include assuring product safety because contamination leaks in, causing illness or even death. Also, all communications with customers—from salespeople’s comments to warranties and invoices—must be controlled to clearly and accurately inform customers.* *Businesses that fail to comply with truth in advertising face scrutiny from the FTC and consumer protection organizations.*

**8. What are the five major areas in which companies have responsibilities to their employees? What types of changes in society are now affecting these responsibilities?**

*Promoting workplace safety, addressing quality-of-life issues, ensuring equal opportunity in hiring and on the job, and providing a work environment with no tolerance for age discrimination, sexual harassment, or sexism.* *Today, employees have to balance time spent at work with time spent on personal and family issues such as caring for young children and elderly parents.*

**9. Identify which Equal Opportunity law (or laws) protects workers in the following categories:**

1. an employee who must care for an elderly parent

*– The Family and Medical Leave Act of 1993*

1. a National Guard member who is returning from deployment overseas

*– The Uniformed Services Employment and Reemployment Rights Act*

*of 1994*

1. a job applicant who is HIV positive

*– The Vocational Rehabilitation Act of 1973*

1. a person who is over 40 years old

*– The Age Discrimination in Employment Act of 1967*

1. A woman who has been sexually harassed on the job

*– The Civil Rights Act of 1991*

1. A woman who has a family history of breast cancer

*– The Americans with Disabilities Act of 1990*

**10. How does a company demonstrate its responsibility to investors and the financial community?**

*One way a company can demonstrate its responsibility to investors and the financial community is to produce sound profits. But shareholders, investors, and financial partners also demand that a business act legally and ethically, treat its employees fairly, report its earnings and losses accurately, and consider the greater good when making decisions. Failure to do so can result in substantial losses to investors as well as to consumers and the public at large.*

Projects and Teamwork Applications

1. Write your own personal code of ethics. Create standards for your behavior at school, in personal relationships, and on the job. Then assess how well you meet your own standards and revise them if necessary.
2. On your own or with a classmate, visit the Web site of one of the following firms, or choose another that interests you. On the basis of what you can learn about the company from the site, construct a chart or figure that illustrates examples of the firm’s ethical awareness, ethical education, ethical actions, and ethical leadership. Present your findings to class.

a. Sun Microsystems

b. NFL, NHL, NBA, MLB, MLS (or any major professional sports league)

c. Hewlett-Packard

d. Aetna

e. Irving Oil

f. Costco

g. IKEA

1. Now take the company you studied for question 2 (or choose another one) and conduct a social audit on that firm. Do your findings match the firm’s culture of ethics? If there are any differences, what are they and why might they occur?
2. On your own or with a classmate, go online, flip through a magazine, or surf television channels to identify a firm that is engaged in green marketing. If you see a commercial on television, go to the firm’s Web site to learn more about the product or process advertised. Does the firm make claims that comply with the FTC guidelines? Present your findings in class.
3. As a consumer, you have come to expect a certain level of responsibility toward you on the part of companies with which you do business. Describe a situation in which you felt that a company did not recognize your rights as a consumer. How did you handle the situation? How did the company handle it? What was the final outcome?

Web Assignments

1. **Ethical standards.** Go to the Web site listed below. It summarizes the ethical standards for all employees and suppliers of John Deere and Company. Review the material and then write a brief report relating Deere’s ethical standards to the material on corporate ethics discussed in the chapter. In addition, consider how Deere’s ethical standards are integrated with the firm’s overall global citizenship efforts. <http://www.deere.com/wps/dcom/en_US/corporate/our_company/citizenship/citizenship_landing.page>
2. **Starting a career.** Each year, *Businessweek* magazine rates the best companies to begin a career. Visit the *Businessweek* Web site and review the most recent list. What criteria did *Businessweek* use when building this list? What role does ethics and social responsibility play?  
   <http://www.businessweek.com>
3. **Social responsibility.** Athletic footwear manufacturer New Balance is one of the few companies in its industry that still manufactures products in the United States. Go to the Web site listed below and learn more about the firm’s commitment to U.S. manufacturing. Prepare a report that relates this commitment to the firm’s other core values.  
   <http://www.newbalance.com/company/>

*Note*: Internet Web addresses change frequently. If you do not find the exact sites listed, you may need to access the organization’s home page and search from there or use a search engine such as Bing or Google.

Case 2.1

**Hilton Joins the Global Soap Project**

**Answers to Questions for Critical Thinking**

1. **One observer notes that the Global Soap Project appears to be a good fit with Hilton’s existing sustainability efforts. Why might that be true of a hotel chain?**

*A hotel chain would be an effective partner for the Global Soap Project because hotels are locations that need to purchase large quantities of soap for their customers and the hotels will always have discarded, unused soaps that they can donate.*

1. **Which organization will benefit more from their partnership, the Global Soap Project or Hilton? Why?**

*Both organizations can greatly benefit from this partnership. While the Global Soap Project will help supply soaps to developing countries in order to help reduce the spread of disease, the Hilton will enhance their sustainability efforts by recycling their unused soaps without losing money. Together, both organizations will increase public awareness related to disease control.*

Case 2.2

Greener Shipping—At Sea and in Port

**Answers to Questions for Critical Thinking**

**1. How do Maersk and Cargoshell carry out their responsibilities to society?**

*Maersk and Cargoshell carry out their responsibilities to society by reducing their impact on the environment. They do this through decreased consumption of oil and by replacing heavy empty shipping containers with lighter, size-adaptable ones.*

**2. Many of the goods you buy and use are imported from overseas and sold more cheaply than if they were made in the United States. But do they have hidden, nonmonetary costs? Use the information in this case as a guide.**

*If a product is purchased more cheaply because it is made overseas at a lower cost to the manufacturer, the environmental impact of the product’s shipping could create hidden, nonmonetary costs. A product shipped from China to the United States might be cheaper to purchase but would have a greater negative impact on the environment than one made within the country because of the greater amount of fuel used.*

**CHAPTER 2: COLLABORATIVE LEARNING EXERCISES**

## 1 – Ethics and Legality

# Learning Objective: 2

# Purpose:

To clarify the difference between ethical and legal behavior.

# Background:

Many students have never thought about laws as the “floor” for ethical behavior; some, in fact, regard laws as the standard rather than the base. The purpose of this exercise is to clarify the difference, and in doing so, to help students articulate their own personal ethical standards.

# Relationship to Text:

The New Ethical Environment – Learning Objective 2

# Estimated Class Time:

Approximately 10 minutes

# Preparation/Materials:

None needed

Exercise:

Ask your class to identify examples of the following behaviors. You might find it helpful to present the categories on the board as quadrants, and to fill each quadrant with the examples that your students surface.

* Illegal and unethical behavior (e.g., embezzling money, sexual harassment)
* Illegal and ethical behavior (e.g., providing rock-bottom prices only to struggling wholesalers in an underserved rural area)
* Legal and unethical behavior (e.g., promoting R-rated movies to young teens, engaging in favoritism, providing sub-par health insurance)
* Legal and ethical behavior (e.g., leading by example, contributing to the local community, protecting whistle-blowers)

Ask your students why and how an official, explicit code of ethics is important in encouraging employees to engage in legal and ethical behavior as a matter of course.

### **2 – Ethical Dilemmas**

# Learning Objective: 3

# Purpose:

## To stimulate discussion about the gray areas in business ethics.

# Background:

Many students have difficulty relating to the idea of ethical dilemmas in business, probably because the ethical meltdowns featured in the press seem so clear-cut: unscrupulous managers clearly did the wrong thing. But real world ethical dilemmas are usually not so obvious; all too often, there is no resolution that will not harm some party involved in the issue. These exercises are designed to explore the gray areas, and by doing so, to help students clarify their individual ethical principles.

# Relationship to Text:

On-the-Job Ethical Dilemmas – Learning Objective 3

# Estimated Class Time:

5–10 minutes per scenario

# Preparation/Materials:

Consider making copies of the scenarios for each student… it is not crucial, but it really helps. (See the Appendix for a copy-friendly version.)

# Exercise:

Divide your class into small groups to discuss each of the scenarios below. Ask each group to reach consensus on the best approach, but when you discuss as a class, ask students to respond with their personal viewpoints. You also may want to ask them if their personal viewpoints changed based on the group discussion. Here are the scenarios:

* You have just done a great job on a recent project at your company. Your boss has been very vocal about acknowledging your work and the increased revenue that resulted from it. Privately, she said that you clearly earned a bonus of at least 10 percent, but due to company politics, she was unable to secure the bonus for you. She also implied that if you were to submit inflated expense reports for the next few months, she would look the other way, and you could pocket the extra cash as well-deserved compensation for your contributions. What should you do? Why?
* You are the marketing director of a well-known private university. One of your managers has come to you with an innovative proposal for building “buzz” among young people. He recommends that the university marketing department host an evening—complete with punch, cookies, and music—for employees to come to the office, log onto the Web through their personal accounts, and surf a predetermined list of chat sites with “peer” recommendations to apply to the university. The marketing department would supply a list of bullet points for the employees to use as they “spread the word” about the school. Should you approve the proposal? What are the ethical implications?
* A top employee at your small company tells you he needs some time off because he has AIDS. You know the employee needs the job as well as the health insurance benefits. Providing health insurance has already stretched the company’s budget, and this will send premiums through the roof. You recently read of a case in which federal courts upheld the right of an employer to modify health plans by putting a cap on AIDS benefits. Should you proactively explore this possibility for your company? What are the trade-offs? (Source: Richard L. Daft, *Management,* Sixth Edition, South-Western Publishing, 2003, p. 139.)
* One of the engineers on your staff has an excellent job offer from another company, and asks your advice on whether to accept the position. You need him to complete a project that is crucial to your company (and to your own career). You also have been told—in strictest confidence by senior management—that when this project is complete, the company will be outsourcing the engineering function, which means that all internal engineers will be laid off. What are your options in advising this staff member? What are the implications of each option? What is the best choice? Why?

### **3 – Respect**

# Learning Objective: 3

# Purpose:

To encourage students to opt for self-respect over the respect of others when faced with difficult choices.

# Background:

This quick, discussion-based exercise is designed to encourage students to consider the long-term implications of tough ethical decisions. Caution: This works great for some classes but is completely irrelevant or too abstract for others, so you may want to consider the chemistry of your class before you use it.

# Relationship to Text:

Individuals Make a Difference – Learning Objective 3

# Estimated Class Time:

#### Less than 5 minutes

# Preparation/Materials:

#### None needed

# Exercise:

Share this quotation from Roy Rogers with your class: “I’d rather be the man who bought the Brooklyn Bridge than the one who sold it.” Usually this sparks laughter and discussion, but if not, here are some starter questions:

* What does this quotation mean?
* When might this quotation apply in business? (Personnel/trust issues are a rich discussion area.)
* What are the long-term benefits of risking being perceived as foolish versus being unethical?

### **4 – Internet Usage**

# Learning Objective: 3

# Purpose:

#### To highlight the growing ethical issue of surfing the Web on the company’s dime.

# Background:

Surfing the Web for personal use is a costly problem for many employers, and it is likely to grow as the Net Generation begins to pour into the workplace. This exercise is designed to approach the issue from a business owner perspective, which also may encourage students to reevaluate their own behavior from an employee perspective.

# Relationship to Text:

Honesty and Integrity – Learning Objective 3

# Estimated Class Time:

Approximately 10 minutes

# Preparation/Materials:

#### None needed

# Exercise:

* Share with your class a survey published in *Newsweek* magazine about nonwork-related Internet usage: 34 percent of employees spend between three and nine hours per week on the Internet, unrelated to their jobs (that is 7 to 23 percent of a standard work week… wow!). If forced to choose between giving up coffee and giving up the Internet, 56 percent would give up coffee. (Source: Brad Stone, “Is the Boss Watching?” *Newsweek*, September 30, 2002, p. 38L.) Why are these numbers so high? Who pays the price?
* Divide your class into groups of three to five students. Ask each group to assume that they are business owners and they are meeting to establish a policy to control nonwork-related Internet usage in light of the growing sophistication and dropping costs of software to monitor employee computer usage. Remind your students that their options range from no monitoring to complete blocking. Reconvene as a class to discuss. Questions might include:
  + What are the pros and cons of no monitoring? Of blocking measures?
  + What are the trade-offs between collegiality and productivity?
  + Are there any times when it makes sense to allow (or even encourage) employees to surf the Web for personal reasons?
  + Did the discussion change any minds on how they would handle this issue at their own companies?

### **5 – Corporate Philanthropy**

Learning Objective: 4

# Purpose:

# To clarify the importance of corporate philanthropy as a tool to both serve the community and build profitability.

# Background:

#### Some students might argue that extensive corporate philanthropy is a paternalistic approach to serving the community. Wouldn’t it make more sense for companies to distribute that money to stockholders so that they could choose the organizations and causes to support (a form of trickle-down philanthropy)? One response could be that well-executed corporate philanthropy not only builds employee morale and burnishes a company’s image but also builds long-term profits. For example, Richard Branson created a highly successful chain of car lots in England that plant trees for each car you purchase in order to compensate for the pollution that your car will generate. This exercise is designed to explore how that could happen across a range of businesses.

# Relationship to Text:

Corporate Philanthropy – Learning Objective 4

# Estimated Class Time:

Approximately 15 minutes

# Preparation/Materials:

#### None needed

# Exercise:

Divide your class into teams of three to five students. Direct each team to develop a focused philanthropy program for each of the following businesses, with the goal of both serving the community AND building long-term profits. Ask them to be prepared to explain how their program would achieve these goals.

* A major city newspaper (e.g., supporting a literacy program)
* An advertising agency (e.g., donating work to showcase creativity)
* An ophthalmologist office (e.g., collecting used glasses for poor countries)
* A supermarket (e.g., donating 3 percent of each single tab above $200 to a food bank)

Reconvene to discuss as a class. You may be pleasantly surprised by the creativity of the responses.