

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

<p>Opening Vignette: Panera Cares: A Café on a Mission</p> <p><i>To be socially responsible means more than donating a few dollars to worthy causes, using recyclable packaging, or planting trees. It is about aligning an entire organization's culture with the values of its community. Panera Bread takes corporate social responsibility seriously. Although the \$4 billion company donates more than \$150 million in food products each year, it wasn't enough. The company's CEO and founder made it personal by setting up several Panera Cares restaurants as "pay what you can" community cafes. These restaurants have no list prices or cash registers – instead there is a donation box on the counter which states, "take what you need; leave your fair share." Panera takes corporate social responsibility to the next level by embracing the communities they serve.</i></p>	
<p>CONCERN FOR ETHICAL AND SOCIETAL ISSUES</p>	<p>PowerPoint Slide 3 Power Point Slide 4</p>
<p>1. Business Ethics</p> <p><u>Business ethics</u> are the standards of conduct and moral values regarding right and wrong actions in the work environment.</p>	
<p>2. Business Ethics in Practice</p> <p>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.</p> <p>b. Businesses must balance between doing what is right and doing what is profitable.</p> <p>c. Business ethics are shaped by:</p>	<p><u>Lecture Enhancer:</u> <i>Can you think of a situation in which the needs of investors might be in conflict with the needs of customers?</i></p> <p><u>Class Activity:</u> <i>Have students discuss being</i></p>

	<i>faced with a recent personal or professional ethical dilemma and its ethical climate.</i>
i. the ethical values of executives and individual employees	
ii. 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 when business is trying to serve the different needs of its constituents.

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

<i>THE CONTEMPORARY ETHICAL ENVIRONMENT</i>	PowerPoint Slide 5
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1. The Ethical Environment	
a. Business ethics are in the spotlight as companies have to work harder to earn public trust.	<i><u>Lecture Enhancer:</u> Common workplace ethical dilemmas include: conducting personal business on company time, taking credit for the work of others, withholding information, waste, and theft.</i>
b. Most managers have led companies without breaking the rules. Johnson & Johnson provides one example of longstanding commitment to ethical practice:	<i><u>Class Activity:</u> Make a list of newsworthy or high-profile investigations having to do with breaking codes of ethics. How many were financial related? Do you find these surprising or unexpected?</i>
i. Number 1 most-admired pharmaceutical maker	
ii. 19th most-admired company in the world	
iii. has abided by the same basic code of ethics, called its Credo, for more than 70 years	PowerPoint Slide 6 Figure 2.1 Johnson & Johnson Credo
iv. the Credo remains the standard against which employees evaluate how well the firm is performing.	<i><u>Class Activity:</u> Have students read Johnson & Johnson's credo. Identify each of the groups to which the company has made a commitment.</i>
c. Many companies are conscious of how ethical standards can translate into concern for the environment. The Coca-Cola Company released its global sustainability report, highlighting the	PowerPoint Slide 7

following three goals:	
i. Coca-Cola Company introduced three sustainability goals: 1) to economically empower 5 million entrepreneurs across its value chain by 2020, 2) to meet 2020 water use and efficiency reduction and replenishment goals, and 3) to offer more than 800 low- and no-calorie options worldwide or 25 percent of its global product portfolio.	<i><u>Lecture Enhancer:</u> Discuss Coca-Cola's goal of lower calorie options in light of the current childhood obesity epidemic. Does this make good business sense?</i>
ii. Coca-Cola's goal is to reduce its environmental impact by 25 percent by 2020, a goal that is part of its climate protection program.	
d. The ethical environment seems to be improving despite the recession. A recent survey conducted by the Ethics Resource Center found:	
i. workplace misconduct had decreased	
ii. more employees said they reported misconduct when they saw it	
iii. some employees reported that despite strong ethical cultures, they still felt pressure to cut corners in the difficult economy.	
2. Government Regulations	PowerPoint Slide 8
a. <u>Sarbanes-Oxley Act of 2002</u> : 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.	<i><u>Lecture Enhancer:</u> Opponents to Sarbanes-Oxley (SOX) have contended that SOX was an unnecessary and costly government intrusion into corporate management that drives business outside the U.S. and places U.S. corporations at a competitive disadvantage on a global basis.</i>

i. The act established new regulations for securities trading and accounting practices.	<u><i>Class Activity:</i></u> <i>The “whistleblower provision” of SOX protects employees of publicly traded companies from retaliation for bringing certain perceived corporate wrongdoings to light. Ask students their thoughts about an anonymous 800 number where employees can call to report corporate wrongdoings. Is this snitching? Or is it reporting valid information?</i>
ii. Companies must publish their code of ethics and inform the public of any changes to it.	
iii. It may encourage companies to write codes and guidelines for ethical behavior.	
b. 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	PowerPoint Slide 9 PowerPoint Slide 10 Table 2.1
a. Companies appoint ethics compliance officers who:	<u><i>Lecture Enhancer:</i></u> <i>How has technology benefited the workplace?</i> <i>Would you consider technology a contributor to the ethical lapses pervasive in today’s workplace?</i>
i. conduct employee training programs that help spot potential fraud and abuse within	

the firm	
ii. investigate sexual harassment and discrimination charges	
iii. monitor any potential conflicts of interest.	
b. Many companies have a three-pronged approach to addressing ethics and social responsibility:	
i. engage in corporate philanthropy	<i>Class Activity: Poll students to determine why ethics and compliance challenges have become increasingly complex.</i>
ii. anticipate and manage risks	
iii. identify opportunities to create value by doing the right thing.	
4. Individuals Make a Difference	PowerPoint Slide 11
a. Individuals can affect ethical expectations and behavior in the workplace.	<i>Lecture Enhancer: Target, eBay, Nordstrom, and the list of online and retail cyber attacks continue. Companies are becoming more vulnerable to cyber attacks, making customer credit card information more vulnerable.</i>
b. Some workers act illegally or unethically on the job.	
i. 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 seems to have 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. A data breach at Target exposed 110 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>Lecture Enhancer: How much personal time do you spend online while at work? How do employees justify the ethics of web surfing on the company's dime?</i>
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 12 Figure 2.2 Stages of Moral and Ethical Development
1. People develop ethical standards in three stages: preconventional, conventional, and postconventional.	
a. Stage 1 = preconventional stage:	<i>Lecture Enhancer: A person's family, educational, cultural, and religious background can shape responses to different situations.</i>
i. Individuals consider their own needs and desires when making decisions.	

ii. Individuals obey external rules only because they fear punishment or hope for rewards.	
b. Stage 2 = conventional stage:	
i. Individuals act based on their duty to others, including family, coworkers, and organizations.	<i>Class Activity:</i> <i>Ask students about the origination of their moral compass. Has religion or family contributed?</i>
ii. They decide what is acceptable based on the influence of these groups.	
iii. Self-interest still plays a key role in decisions.	
c. Stage 3 = postconventional stage:	
i. Highest level of ethical and moral behavior	
ii. Individual moves beyond self-interest and duty to thinking of the larger needs of society.	
iii. Individual has developed personal ethical principles and applies those principles to determine what is right or wrong in a situation.	
2. On-the-Job Ethical Dilemmas	Career Kickstart: How to Avoid Ethical Issues at Work
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.	
<i>Four common ethical challenges:</i> conflict of interest, honesty and integrity, loyalty versus truth, and whistle-blowing	PowerPoint Slide 13 Figure 2.3 Common Business Ethical

	Challenges
3. Conflicts of Interest	
a. 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.	<i>Lecture Enhancer:</i> <i>Think of a hypothetical situation where the honesty and integrity of an employee might help to inspire a customer's trust in the company.</i>
i. A person's interests might conflict with those of someone to whom the person has an obligation.	
ii. A person may do business with two parties with opposing interests; a strategy that helps one might hurt the other.	<i>Class Activity:</i> <i>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.</i>
iii. Individual interests might clash with those of an organization or its customers, including the receipt of gifts or bribes.	
iv. A person might hold two or more similar jobs in two different workplaces.	
b. Ethical ways of handling conflicts of interest include:	
i. avoiding them	
ii. disclosing them.	
4. Honesty and Integrity	
a. Employers value honesty and integrity.	

i. An employee who is honest can be expected to tell the truth.	
ii. An employee with <u>integrity</u> goes beyond truthfulness by sticking to deeply felt ethical principles and acting on them.	
iii. Integrity means doing what you say you will do and taking responsibility for mistakes.	
b. Honesty and integrity inspire trust.	
i. This helps build relationships with customers, suppliers, employers, and the public.	
ii. Employees want companies to treat them with honesty and integrity.	
c. Workplace violations of honesty and integrity are common.	
i. People misrepresent academic credentials and previous work experience on résumés.	
ii. Some take home office supplies or products without permission.	
iii. Many do personal business at work.	
d. Electronic monitoring allows firms to monitor excessive or illicit Internet use and to keep client data secure.	
5. Loyalty Versus Truth	
a. Businesspeople expect employees to be loyal and to act in the best interests of the company.	
b. When the truth about a firm is not favorable, ethical conflicts arise.	<i>Class Activity: Obtain examples of workplace situations in which students struggled with whether their employer was misrepresenting important</i>

	<i>product information.</i>
i. Individuals have to decide between loyalty to the company and truthfulness.	
ii. Some value loyalty at the expense of truth.	
iii. Some avoid volunteering negative information but answer truthfully if someone asks them a specific question.	
iv. Others value the truth and disclose negative information, especially concerning health or safety issues.	
6. Whistle-Blowing	
a. <u>Whistle-blowing</u> is an employee's disclosure to company officials, government authorities, or the media of illegal, immoral, or unethical practices.	
b. When an individual encounters unethical or illegal actions at work, that person must decide what action to take.	
c. The firm may resolve issues itself.	
d. If that fails, the person should weigh the potential damages to the greater public good versus the company.	
e. Whistle-blowing may be the only option when:	
i. unethical behavior is causing significant damage	
ii. potential damage to others outweighs the risk of retaliation.	
f. The risks can be real, as whistle-blowers have been fired, threatened, and harassed.	
g. Laws protect whistle-blowers.	
i. The Sarbanes-Oxley Act requires that firms provide ways to anonymously report accusations of fraud.	

ii. Anyone who retaliates against a whistleblower can be prosecuted.	
iii. Those who are wrongly treated can file a complaint with the U.S. Department of Labor.	<i><u>Lecture Enhancer:</u> Discuss whether the companies for which students work have policies in place to protect whistleblowers and provide a clear pathway for reporting questionable incidents.</i>

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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 are the three components of a typical company's approach to ethics and social responsibility?

The three components are (1) engaging in typical corporate philanthropy; (2) anticipating and managing risks; and (3) identifying opportunities to create value by doing the right thing.

Career Kickstart: How to Avoid Ethical Issues at Work

Summary

If you've mastered the fundamentals of business etiquette, you will be less likely to make an ethical slip at work. Hopefully, you have a good ethical foundation for making good decisions in tough situations. A few guidelines include: staying focused on your business purpose, avoid abusing privileges, live your values, try not to depend on excuses, monitor your digital reputation, avoid using your work computer for personal business, and last but not least, treat others as you would like to be treated.

Learning Objective 3:

Discuss how organizations shape ethical conduct.

Choices are strongly influenced by the standards of conduct established within any organization. Most ethical lapses in business reflect the values of the firms' corporate cultures. Development of a corporate culture to support business ethics happens on four levels: ethical awareness; ethical education; ethical action; and ethical leadership. Ethical awareness involves providing help to employees in identifying ethical problems when they occur and giving them guidance about how the firm expects them to respond. One way to provide this support is to develop a code of conduct for the organization. Ethical education involves implementing an ethics training program for employees or hiring an outside firm to develop ethics and compliance programs for the organization. Ethical action involves companies providing structures and approaches for employees that allow decisions to be turned into appropriate business actions. Ethical leadership involves commitment to the company's core values at all levels of the organization.

Annotated Lecture Notes

<i>HOW ORGANIZATIONS SHAPE ETHICAL CONDUCT</i> Development of a corporate culture to support business ethics happens on four levels: <ul style="list-style-type: none">– ethical awarenessethical reasoningethical actionethical leadership.	PowerPoint Slide 14 Figure 2.4 Structure of an Ethical Environment
1. Ethical Awareness	PowerPoint Slide 15
a. The foundation of an ethical climate is ethical awareness.	
b. A <u>code of conduct</u> is a formal statement that defines how the firm expects its workers to resolve ethical questions.	<u><i>Class Activity:</i></u> <i>Survey the class to see how many students work for companies that enforce a code of ethics.</i>
i. It may specify rules for acceptable behavior.	Solving an Ethical Controversy The Need for Social Networking Policies
ii. It may identify key corporate values and state how to address moral and	

ethical issues.	
iii. Some firms incorporate codes in their policy manuals or mission statements.	<u><i>Class Activity:</i></u> <i>Discuss a recent ethical dilemma you faced at work or school. How was it resolved?</i>
2. Ethical Education	PowerPoint Slide 16
a. Businesses must provide the tools employees need to evaluate the options and arrive at suitable decisions.	<u><i>Lecture Enhancer:</i></u> <i>The purpose of a corporate ethics program is increase the likelihood that people will act ethically rather than making them ethical.</i>
b. Some firms run ethics training programs.	
i. Workers practice using ethical values in hypothetical scenarios.	<u><i>Class Activity:</i></u> <i>Have students discuss a business culture where it's easier to do the wrong thing than the right thing, and, conversely, one where it's easier to do the right thing than the wrong thing.</i>
ii. They then can apply the training to real-world situations.	
3. Ethical Action	PowerPoint Slide 17 PowerPoint Slide 18
a. Firms provide structures that show how to turn decisions into actions.	<u><i>Class Activity:</i></u> <i>Ask students if they can think of any examples where an action may be legal but unethical.</i>
b. Goals set for the organization, departments, or individuals affect ethical behavior.	
i. Unrealistic goals may lead to questionable behavior.	
ii. The value of speed creates a climate that prevents careful thought and	

challenges ethical behavior.	
c. Companies can support employees facing moral dilemmas by offering a hotline.	<i><u>Lecture Enhancer:</u> Rank the Texas Instrument questions in order of your own personal importance.</i>
d. Ethics compliance officers can help workers.	
4. Ethical Leadership	PowerPoint Slide 19
a. Executives must demonstrate ethical behavior in their actions.	<i><u>Lecture Enhancer:</u> In today's global economy, it can be increasingly complex and challenging for companies to meet profit expectations of shareholders, while addressing regulatory, compliance and environmental and sustainability issues. It requires the commitment of a strong leader.</i>
b. Firms need to charge each employee with the responsibility to be an ethical leader.	
c. All workers should be made aware of problems and defend company standards.	
d. Not all organizations build a framework of business ethics.	<i><u>Class Activity:</u> Ask students for examples of leaders who "walked the talk" and provided strong ethical leadership.</i>
i. Damage from misconduct affects <u>stakeholders</u> —customers, investors, employees, and the public.	
ii. Legislation regulates businesses that fail to regulate themselves.	
iii. Laws focus on international business, small business, labor unions, banking,	

and securities.	
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Solving an Ethical Controversy
The Need for Social Networking Policies

Summary
A recent survey of 120 multinational firms found that while 76 percent use social networking for business, nearly half lack social networking policies. Employee misuse of such sites is not surprising, and taking disciplinary action against an employee is not uncommon. Should firms restrict what employees do online in their off-hours? The question will continue to be debated, however, companies should hire people they believe they can trust.

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Assessment Check Answers:

- 3.1 Identify the four levels of a company’s ethical environment.**
Development of a corporate culture to support business ethics happens on four levels: ethical awareness; ethical education; ethical action; and ethical leadership.
- 3.2 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 executives 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

<i>ACTING RESPONSIBLY TO SATISFY SOCIETY</i>	PowerPoint Slide 20
1. Social Responsibility	<u>Going Green:</u> Thinking Outside the Box
a. <u>Social responsibility</u> 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.	<i><u>Lecture Enhancer:</u> Provide an example of a business in your local area that makes environmental concerns a priority.</i>
i. Firms not only look at profit and sales.	
ii. They are concerned with employee, consumer, and societal benefits.	<i><u>Class Activity:</u> Ask students about the importance of their dollar votes. In other words, do students choose to spend their dollars with companies who are socially responsible?</i>
b. Business is socially responsible because:	
i. it is required by law	
ii. it enhances the company's image	
iii. it is ethical.	
2. Measuring Social Responsibility	
a. 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:	
i. equal employment	
ii. cultural diversity	

iii. environmental concerns	
iv. safe work environment	
v. safe, high-quality products.	
c. Measurements include interactions with the community. Firms highlight their:	
i. charitable contributions	
ii. community service.	
d. <u>Social audits</u> are formal procedures that identify and evaluate company activities as they relate to the following social issues:	
i. Conservation, the environment, employment practices, and philanthropy.	
ii. Social audits show how a company performs and outline improvements.	
e. Outside groups evaluate businesses.	
i. Environmental, religious, or public-interest groups create standards of performance.	
ii. They make evaluations available to the public.	
f. The social responsibility of a business can be classified according to its relationships with:	PowerPoint Slide 21 Figure 2.5 Business's Social Responsibilities
i. the general public	<u>Lecture Enhancer:</u> <i>Some companies are committed to employees in a way that sets them apart from their competitors.</i>
ii. its customers	
iii. its employees	
iv. investors and members of the financial community.	<u>Class Activity:</u> <i>Of the four areas, rank how businesses view their</i>

	<i>commitment to social responsibility. Discuss how this differs from the way customers view business's commitment to social responsibility.</i>
3. Responsibilities to the General Public	PowerPoint Slide 22
a. Public-Health Issues	<u>Lecture Enhancer:</u> <i>Discuss how students have disposed of their old computers, smart phones, printers, or related equipment.</i>
i. What should businesses do about dangerous products?	
ii. What should businesses do about serious health conditions such as heart disease, diabetes, obesity, and substance abuse?	<u>Class Activity:</u> <i>Can students think of any examples of products that have portrayed or distorted their food products or beverages as healthier than they actually are?</i>
b. Protecting the Environment	
i. Businesses impact the environment through energy consumed, waste produced, and natural resource use.	
ii. Some businesses include steps for protecting the environment in their corporate philosophy.	
iii. 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.	<u>Class Activity:</u> <i>Discuss how students have disposed of their old computers or related equipment.</i>

v. <u>Recycling</u> —reprocessing used materials for reuse —can provide manufacturers with materials while reducing pollution.	Hit & Miss: “Shwopping to Help Others”
vi. <u>Green marketing</u> 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 <i>Lecture Enhancer:</i> <i>Can you think of a product that uses green marketing?</i>
vii. A growing focus is finding renewable sources of clean energy and developing <u>sustainable</u> agriculture.	
c. Developing the Quality of the Workforce	
i. In the past, a nation’s wealth was based on its money, production equipment, and natural resources.	
ii. A country’s true wealth lies in its people.	
iii. An educated, skilled workforce provides the know-how to develop technology and compete globally.	
iv. To remain competitive, U.S. businesses must assume more responsibility for improving the quality of its workforce.	<i>Lecture Enhancer: What is one way in which a company could improve the quality of its workforce?</i>
v. Because many new jobs require college-educated workers, the gap between the highest-paid and lowest-paid workers has increased.	
vi. Diversity programs allow women, minorities, and the physically challenged workers to contribute fully.	
d. Corporate Philanthropy	

i.	<u>Corporate philanthropy</u> 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.	
ii.	It can boost employee morale, enhance company image, and improve customer relationships.	
iii.	In <u>cause-related marketing</u> , firms align advertising with charitable giving and corporate sponsorships.	
iv.	Encouraging volunteerism among employees is another form of corporate philanthropy.	
4. Responsibilities to Customers		PowerPoint Slide 23
<u>Consumerism</u> 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
a. The Right to Be Safe		
i.	Businesses must ensure that their products operate safely.	<i><u>Lecture Enhancer:</u> What is a company ethically required to do if it discovers one of its products may not be safe?</i>
ii.	<u>Product liability</u> is the responsibility of manufacturers for injuries and damages caused by their products.	
iii.	A company must thoroughly test its products.	
b. The Right to Be Informed		
i.	Consumers should have access to product information to make responsible buying decisions.	<i><u>Class Activity:</u> For each of the consumer rights, provide an example using your personal</i>

	<i>experience as a consumer.</i>
ii. Truth in advertising is protected by rules and regulations set up by the FTC and other agencies.	
iii. It is illegal for a business to make unsubstantiated claims about its merchandise.	
iv. The FDA sets standards for advertising by drug manufacturers as well as dietary supplements.	
v. 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.	

5. Responsibilities to Employees	PowerPoint Slide 24
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.	<i><u>Lecture Enhancer:</u> How do you think firms should handle absenteeism?</i>
a. Workplace Safety	

i.	A century ago, workplace safety was of little concern.	
ii.	OSHA (Occupational Safety and Health Administration) was established to set workplace safety and health standards.	<i><u>Class Activity:</u> Ask students if they have ever observed a workplace safety issue at work.</i>
iii.	It creates rules for specific industries, tracks workplace accidents, and has the authority to fine employers who are found liable for injuries and deaths.	
iv.	90 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.	
b. 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 <u>sandwich generation</u> , 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.	<u>Hit & Miss:</u> AT&T's Commitment to Hiring Military Vets
vi.	Some companies are approaching paid time off in innovative ways, such as allowing open-ended vacation time as long as projects are completed.	
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	
i. 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.	
ii. Diversity in business is largely regulated by law.	
iii. The Civil Rights Act (1964) outlawed discriminatory practices, and Title VII of this Act specifically prohibits <u>discrimination</u> —biased treatment of a job candidate or employee—in the workplace.	Table 2.2 Laws Designed to Ensure Equal Opportunity
iv. The <u>EEOC (Equal Employment Opportunity Commission)</u> 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	
i. More than half the workforce will be age 40 or older in a few years.	
ii. Some employers find it less expensive to hire and retain younger workers, who have lower salaries and fewer benefits than older workers.	<u>Class Activity:</u> <i>Ask students to provide examples of executives by age group.</i>
iii. The Age Discrimination in Employment Act of 1967 (ADEA) protects individuals who are age 40 or older.	
iv. Older workers might not only have more experience but more enthusiasm.	
v. 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	
i. <u>Sexual harassment</u> refers to unwelcome or inappropriate action of a sexual nature in the workplace.	
ii. It violates the Civil Rights Act of 1964, which protects both men and women.	
iii. Nearly 14,000 sexual harassment complaints are filed with the EEOC each year, of which 16 percent are filed by men.	
iv. 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.	<u>Class Activity:</u> <i>Ask students to provide recent examples of sexual harassment.</i>

v.	The rules include sexually oriented materials in the workplace as well as the behavior of clients and customers of a firm.	
vi.	The costs of lawsuit settlements or fines can be enormous.	
vii.	An effective program should include a policy statement, complaint procedure, open work atmosphere, and ways to investigate issues and discipline offenders.	
viii.	<u>Sexism</u> is a broad term applying to workplace discrimination against members of either sex, although usually women.	
ix.	Equal pay for equal work is an important sexism issue.	
x.	Statistics continue to show that women still only earn 77 cents for every 1 dollar earned by men, on average.	

Going Green:

Thinking Outside the Box

Summary

Marty Metro, founder and CEO of Usedcardboardboxes.com (UCB) has come up with a solution which helps with the hassle of packing and moving. Metro has built a multi-million dollar business buying and selling used cardboard boxes for not only movers, but for companies engaged in packing, shipping and storage. UCB purchases truckloads of perfectly good but used cardboard boxes from companies and resells them to other companies need. In addition, more than 600,000 trees have been saved. UCB has created an eco-friendly solution to the age-old problem of discarding perfectly reusable cardboard boxes after a single use.

Questions for Critical Thinking:

- Metro has created a successful company with an innovative strategy of buying and using cardboard boxes multiple times before they are recycled. How does this approach help both businesses and consumers?**

Businesses, mainly large companies, make money by selling their used cardboard boxes to UCB. Other large businesses, many of whom are manufacturers, save money by purchasing perfectly good used boxes. In addition, UCB creates eco-friendly moving kits for consumers. In essence, UCB provides a solution to any company in search of a low cost eco-friendly shipping solution. Some clients even pay to have UCB return the boxes

to vendors for re-use. UCB buys, sorts, inspects and returns boxes back to vendors who re-fill with more of what has already been sent.

2. **In addition to being successful, Metro’s company website states that more than 600,000 trees have been saved by UCB’s business model. How can he use the information to attract new business and residential customers?**

The information can be used to attract new business and residential customers who are conscientious of the environmental impact of saving trees, in addition to the time, energy and costs associated with creating new cardboard boxes -- traditionally discarded after a single use.

Notes: _____

Hit & Miss:

“Shwopping” to Help Others

Summary

Consider this: more than 1 billion clothing items are sent to landfills annually, and about 30 percent of clothing in an average wardrobe has not been worn in over a year. British multinational retailer Marks & Spencer (M&S), one of the world’s most sustainable retailers, encourages its customers to “shwop” when visiting its more than 700 stores in the UK. Shwopping is swapping gently used clothing for a rewards voucher for future retail purchases – and it has been a hit with M&S customers.

What does M&S do with the mounds of recycled clothing? The company works with a global charitable organization called Oxfam, who resells, reuses, and recycles the clothing to help people, mostly in less developed countries, who are living in poverty.

Questions for Critical Thinking

1. **Does donating gently used clothes encourage shoppers to purchase new ones? Why or why not?**

Donating gently used clothes works in a number of different ways. For one, it encourages shoppers to recycle old clothing if/when replacing with new clothing. In turn, this may lessen guilt. Considering fickle buying patterns and quickly changing tastes in fashion, the shwopping program has great merit. Because M&S is giving customers a rewards voucher for each donation, the purchase of additional clothing is encouraged. On the other hand, the program also sends a message of recycling, which results in lessening the load in one’s closet. Consequently, for some, this may result in the decision not to purchase new clothing, which might re-clutter a newly cleared, more spacious closet.

2. **Discuss the benefits of Marks & Spencer’s “buy one, give one” culture and how it enhances the retailer’s social responsibility initiatives.**

Marks & Spencer's "Buy One, Give One" culture enhances the retailer's social responsibility initiatives. M&S gives the shop donations to Oxfam, a global charitable organization, who then resells, reuses, and recycles the clothing to help people living in poverty. The buy one, give one culture enhances the retailer's social responsibility through its exposure not only to its customers from the standpoint of collecting the recycled clothing, but also to the recipients of its giving – those living in poverty in less developed countries. It is all part of Marks & Spencer's varied responsibility efforts, which are focused on a high standard of environmental sustainability as a retailer. This ranges from climate change to zero waste, to natural resources to recycling.

Hit & Miss:

AT&T's Commitment to Hiring Military Vets

Summary

AT&T has invested \$1.5 billion over the last five years in its broadband and wireless networks -- and in Ohio alone, the company will hire over 200 employees in customer service, retail, and technical positions. AT&T has plans to fill those positions with veterans, in addition the recruitment efforts into its leadership and development programs. AT&T knows very well that as new recruits, veterans possess strategic and creative thinking. With its Military Talent Attraction Team, AT&T has stepped up its veteran recruitment efforts while continuing to educate existing managers about the benefits these former servicemen and women provide to the organization. The result for AT&T: a more mission-focused, strategic workforce centered on teamwork.

Questions for Critical Thinking

1. What advantage might military veterans bring to private businesses?

Answer will vary. The military experience provides veterans with highly transferable sales, operational and interpersonal skills. In addition, veterans find it second nature to work in a fast-paced, results-driven environment. Consider the fact that some veterans have planned complex military operations and gathered intelligence. Veterans have led teams, so they're well versed when it comes to leadership, and they've conducted negotiations. Mission focused, and accustomed to working in a team environment, veterans are a natural choice for private businesses, large and small.

2. As a communications company, discuss some of the ways AT&T can continue to promote its hiring message to veterans as the company expands its wireless and broadband networks across the country.

Consistent with equal employment opportunities, AT&T has:

- *Announced its goal of hiring 5,000 veterans and their family members into career opportunities over the next five years.*
- *AT&T is a founding member of 100,000 Jobs Mission, launched by JP Morgan and 10 other companies to commit to hiring 100,000 veterans by 2020.*
- *AT&T has a military focused career site*
- *AT&T has a "Careers for Veterans Program," which provides veterans with opportunities to participate in online career video chat sessions or to connect with other AT&T veterans employee-volunteers*
- *A career page for military spouses with work locations*

- *AT&T has stepped up its recruitment programs by increasing its promotion as an employer of choice within the veteran community.*

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 such behavior 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

<i>RESPONSIBILITIES TO INVESTORS AND THE FINANCIAL COMMUNITY</i>	PowerPoint Slide 25
Business has an obligation to make a profit for its shareholders.	
Investors expect legal and ethical behavior.	<i><u>Lecture Enhancer:</u> What are the consequences for investors if a business does not act ethically or legally?</i>
State and federal agencies protect investors from financial misdeeds.	
a. The <u>Securities and Exchange Commission</u> (SEC) investigates suspicions of unethical or illegal	

behavior by publicly traded firms.	
i. The SEC investigates accusations of faulty accounting practices.	
ii. 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.	
iii. The agency targets fraud in online trading through its Office of Internet Enforcement.	<i>Class Activity: Explore the Securities and Exchange website and examine the most recent fraud cases under “enforcement,” then “litigation.”</i>
b. 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?

Although a fundamental goal of any business is to make a profit for its shareholders, investors and the financial community demand that businesses behave ethically and legally.

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.*

3. What type of ethical dilemma does each of the following illustrate? (A situation might involve more than one dilemma.)

- a. Due to the breakup with a client, an advertising agency suddenly finds itself representing rival companies.
 - b. A newly hired employee learns that the office manager plays computer games on company time.
 - c. An employee is asked to destroy documents that implicate his or her firm in widespread pollution.
 - d. 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:

- an employee who must care for an elderly parent
– *The Family and Medical Leave Act of 1993*
- a National Guard member who is returning from deployment overseas
– *The Uniformed Services Employment and Reemployment Rights Act of 1994*
- a job applicant who is HIV positive
– *The Vocational Rehabilitation Act of 1973*
- a person who is over 40 years old
– *The Age Discrimination in Employment Act of 1967*
- A woman who has been sexually harassed on the job

– *The Civil Rights Act of 1991*

- f. 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 companies, 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 the class.
 - a. Nike
 - b. NFL, NHL, NBA, MLB, MLS or any other major professional sports league)
 - c. eBay
 - d. Aetna
 - e. Walmart
 - f. Costco
 - g. IKEA
3. Take the company you studied for question 2 (or choose another), and search for information about the company's social and environmental responsibility practices – some companies publish annual social and environmental reports. Present to the class the company's successes and challenges for the most recent year.
4. On your own or with a classmate, go online or flip through a magazine to identify a firm that is engaged in green marketing. Next, go to the firm's website 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.
5. As technology becomes more pervasive, new and complex ethical issues have arisen in the workplace, which have contributed to ethical and sometimes legal challenges for employers and employees. Consider the action of transmitting confidential or proprietary company data, for example. With a classmate or alone, come up with a list of ways technology has affected or compromised ethics at work, school, or home.

Web Assignments

1. **Ethical standards.** Go to the Boeing website and review its supplier page listed below. With more than 2,300 different suppliers listed, review and list the criteria Boeing uses when choosing suppliers.

www.boeingsuppliers.com

2. **Starting a career.** Each year, *Fortune* magazine publishes its “Best Companies to Work For” list of the top 100 employers. Using the most recent list, choose three of the companies listed, and find specific examples of how each has demonstrated corporate social responsibility. How do these compare with the criteria *Fortune* uses to compile its list?

<http://www.money.cnn.com/magazines/fortune/best-companies>

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 website listed below and learn more about the firm’s commitment to U.S. manufacturing. What other companies are committed to U.S.–only production? Discuss what these companies have in common with New Balance, and how they relate to the firm’s core values.

<http://www.newbalance.com/company/>

<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

Summary

When Derreck Kayongo, founder of The Global Soap Project visited India, what he saw was astounding. People were suffering from illness because they were unable to perform the simple act of washing their hands. The Global Soap Project is an initiative which provides bars of soap for developing countries, where even schools, hospitals, and health clinics can lack basic suppliers to prevent diseases, infections, and pneumonia. Consider the fact that over 3 million bars of soap are discarded every day after minimal use, and you’ll see how Hilton Hotels comes in – it was Kayongo’s idea to recycle these partially used bars of soap into new bars. Hilton has joined the project to not only donate millions of new bars of soap, but also to invest over \$1 million in the 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.

- 2. 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

Will That Pallet Be Aluminum, Timber, or Plastic?

Summary

In an effort to create a more green supply chain, companies are considering substituting the ubiquitous wood pallet with plastic or aluminum. Delivering products to end users involves transportation, and most modes of transportation create some level of pollution. An aluminum pallet is lighter, more durable, longer lasting, and can hold more weight. As global companies continue to improve their supply chain strategies for better environmental results, the aluminum pallet, though more costly, is being considered.

Answers to Questions for Critical Thinking

- 1. One of the goals of green supply chain management is to eliminate or minimize any type of waste along a company's supply chain. What would be the advantage of using aluminum pallets?**

Although their cost can be prohibitive, aluminum pallets are lighter, more durable, last longer, and can hold more weight. Another advantage is, of course, their eco-friendly nature, and consequently, no use of forest resources (think: saving trees). Compared to their wood counterparts, aluminum pallets do not rot, and they are not susceptible to weather conditions and moisture. Aluminum or metal pallets have a far longer lifespan -- sometimes over 15 years, so while their cost can be prohibitive, it can be amortized over a longer period of time. Aluminum pallets are lighter than their wood counterparts, so companies can realize fuel savings with lighter weight loads.

- 2. Discuss why the use of wooden pallets is criticized by environmentalists.**

Wood pallets are the least green pallets available today, and many soft wood pallets are commonly taken apart after a single trip. A mind boggling amount of timber (pallets are responsible for almost 50 percent of the country's annual hardwood harvest), is used to produce the ubiquitous pallets found in most warehouse and shipping environments. Invasive insects are often an issue with wood pallets. Shipping internationally can be a problem with transporting invasive insects, known to destroy tree species, contaminate food, and cause environmental damage. In addition, wood pallets can be a fire hazard.

Case 2.3

Being Socially Responsible Helps Timberland Thrive

Summary

The Timberland Company, based in New Hampshire, derives its name from the iconic yellow work boot introduced more than four decades ago. As importantly, Timberland has also found its place as a model for best practices in corporate social responsibility (CSR). The company's passion for the outdoors, along with its responsibility to stakeholders, plays a major part in Timberland's overall business culture. At its core, the company is committed to a culture of protecting the very essence of what keeps it in business—the outdoors and the environment. Each of Timberland's strategies demonstrates a synergy between commerce and social responsibility. Timberland focuses its CSR efforts on the three areas of product, community engagement, and resource efficiency.

Questions for Critical Thinking

1. Compare and contrast the CSR efforts of three of Timberland's competitors. How do they compare to and/or differ from Timberland's efforts?

<i>Wolverine Worldwide (Keds, Merrell, Stride Rite, Sperry, and Saucony)</i>	<i>L.L. Bean, Inc.</i>	<i>Columbia Sportswear Company</i>
<p>- Charitable support: <i>Wolverine Worldwide Foundation supports more than 190 charitable organizations that impact communities around the world, like 1% For The Planet, Two Ten Footwear Foundation, and The Conservation Alliance.</i></p> <p>- Purchased renewable energy <i>to power its Michigan-based</i></p> <p>- Re-engineered the majority of its footwear packaging <i>by abandoning traditional methods and materials in favor of 85% post-consumer recycled cardboard for boxes and soy-based inks.</i></p> <p>- Expanded company recycling and composting programs.</p>	<p>Environment: <i>Because L.L. Bean is a direct marketer (cataloger), their focus is on paper and sustainable forest management.</i></p> <p>Sourcing and labor rights: <i>L.L. Bean is committed to selling products that are manufactured under legal, safe and fair working conditions.</i></p> <p>Charitable giving: <i>Ties in with the company's outdoor heritage with a focus on focus giving on national and local outdoor conservation and recreation organizations. To this end, L.L.Bean has given more than \$14 million to local, state, regional and national</i></p>	<p>-Giving Back: <i>Columbia supports outdoor education and conservation to support issues at a local level.</i></p> <p><i>The company's initiatives demonstrate support to outdoor education and conservation.</i></p>

	<i>conservation organizations in the last ten years.</i>	
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2. Discuss Patrik Frisk's comment that CSR does not have to be an add-on but instead can work as a competitive advantage. Provide three examples of how Timberland's commitment to corporate social responsibility has created a competitive advantage for the company.

Frisk believes that business and consumers must together take steps to create a more sustainable world. The company's commitment to corporate social responsibility has created a competitive advantage in the following ways:

a. As a boot maker and producer of greenhouse gases, the company is well aware of their contribution to the problem. However, they are also part of the solution with efforts to reduce their carbon footprint by using renewable energy and encouraging partners to do the same. This gives the company a fairly strong competitive advantage.

b. Materials used: Timberland wants to make and sell products that give consumers environmentally friendly options. They do that with their best-selling Earthkeeper® boot line, made with eco-conscious materials.

c. The company has logged over 1 million volunteer hours among its employees. Timberland has one of the most extensive volunteer programs in the industry.

3. The Timberland Responsibility website is a wealth of information about the company's approach to responsibility, including climate, product, factories, and service. Evaluate Timberland's most recent CSR report, and expand on some of the company's most recent initiatives. Discuss the company's progress against its targets set around its three areas of corporate social responsibility.

Timberland's focus on social responsibility includes: climate change, product, factories, and service. Its most recent CSR report includes the following highlights:

- *In its most recent year, the company had a 23% reduction in Greenhouse Gas (GHG) emissions compared to the previous year.*
- *Use of renewable energy increased by 20 percent over the previous year.*
- *Timberland measures environmental performance according to the Global Social Compliance Program (GSCP) environmental module, and in a recent year, almost 44 percent of the company's Continued Business Partner Tier 1 factories achieved Level 2 or 3 for energy management, an increase of 36 percent over the previous year.*
- *In a recent year, Timberland shipped 20,893,068 pairs of footwear, and 73 percent was scored with the Green Index environmental rating.*
- *In a recent year, employees volunteered 65,388 hours. Below is a listing of the issues in which Timberland is focused:*
 - *Climate Change Strategy*

- *Fuel Sourcing*
- *Leather Position Statement*
- *Use of Organic Cotton*
- *Cotton from Uzbekistan*
- *Wool Mulesing*
- *Use of fur*
- *Deforestation in the Amazon Rainforest*
- *California Transparency in Supply Chain Act*
- *Factories*
- *Recycling/End of Life*
- *Globalization*
- *Political Engagement*
- *SOPA Statement*
- *Sandblasting*

4. Download Timberland’s Service Toolkit handout about how to develop and manage powerful community service events. Go to <http://responsibility.timberland.com>, click on “Service,” and download the “Service Tool Kit.” Discuss how you would define project parameters (1.0), research community needs and assets (2.0), and select service partners (3).

<i>Define project parameters</i>	<i>Research community needs and assets</i>	<i>Select service partners</i>
<i>Identify vision, goals and scope of project</i>	<i>Internet research</i>	<i>Conduct site visit</i>
<i>Establish a budget and prepare a plan</i>	<i>Community Outreach</i>	<i>Assess partner</i>
<i>Recruit the operations team</i>	<i>Recognize community assets</i>	<i>Review agreement and clarify expectations</i>

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 – Corporate Social Responsibility

Learning Objective: 4 Social Responsibility**Purpose:**

To stimulate discussion about the disparate views of corporate social responsibility.

Background:

Since businesses create environmental problems like pollution, proponents of corporate social responsibility advocate that companies are not separate from society. As such, using their resources, they should be obligated to solve the issues and problems which result from their operation. Helping society benefits a company’s public image.

The argument against corporate social responsibility is that the sole purpose of business is to earn a profit. Focusing on anything mission other than earning a profit is a distraction, and does not serve shareholders in a fair and just way. In addition, creating jobs and expanding economic growth is the real justification of a business. Proponents against CSR argue that government funding and subsidies for social programs are just that – and it's not the responsibility of business to remedy social ills.

Relationship to Text:

Describe how businesses can act responsibly to satisfy society – Learning Objective 4

Estimated Class Time:

5–10 minutes

Preparation/Materials:

Consider making a copy of the two views of corporate social responsibility, or write them on the board or put online.

Exercise:

Form two groups – one will advocate for corporate social responsibility, and the other will advocate against. What are compelling arguments for social responsibility, and what are compelling arguments against? In a debate-like fashion, using recent news reports, state arguments for and against, and include examples to defend each group's stance.

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 digital natives begin their careers. 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:

- The top five time-wasting sites include Facebook, Google, Yahoo, Amazon, and LinkedIn, according to a recent survey by salary.com. Websites most commonly visited at work include news sites, social media sites, online shopping, entertainment/lifestyle, travel, and sports. Out of 1,000 people surveyed, 69 professed to wasting time online during work hours on a daily basis. However, some argue that web browsing can actually enhance productivity by making tired workers feel more refreshed. (Source: Rashida Maples, Esq., “Surf While You Work: Is Personal

Internet Use Interrupting Productivity On The Job?" *Hello Beautiful*, November 21, 2013, <http://hellobeautiful.com>, accessed July 15, 2014).

- 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 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 less developed countries)
- A supermarket (e.g., donating 3 percent of each single sale above \$200 to a food bank)

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