

CHAPTER 2: BUSINESS ETHICS AND SOCIAL RESPONSIBILITY

Chapter Overview

Most organizations strive to combine ethical behaviour with profitable operation. Some have had difficulties overcoming major ethical errors in recent years. Ethical failures in many large and well-known firms have led to lawsuits, indictments, and judgements against firms. We have all seen news reports of executives receiving millions of dollars in pay while their companies struggle to operate. This kind of news has damaged the image of the chief executive officer (CEO)—and of business in general.

Sometimes, bad news leads to good news. As a result of such bad news stories, both the government and companies have made changes. They have renewed their efforts to behave in an ethical manner to show their responsibility to society, to consumers, and to the environment. In 2010, Industry Canada began a new voluntary standard on social responsibility, known as ISO SR26000. It focuses on seven principles (accountability, transparency, ethical behaviour, stakeholder interests, rule of law, international norms of behaviour, and human rights). This new standard has led to more firms paying attention to creating clearer standards and procedures for ethical behaviour. Companies now understand the enormous impact of setting a good example instead of a bad one. Today, you are likely to hear about the goodwill produced by such companies as CIBC, TELUS, and Tim Horton's. These companies create goodwill when they give back to their communities by funding youth camping programs and recycling, or energy-conservation programs, or by paying fair prices to suppliers.

Most companies try to do more than that. Most companies want to give back to customers, society, and the environment. Sometimes, though, they face difficult questions. When does a company's self-interest work against society's and customers' well-being? Does the goal of seeking profits always work against having high principles of what is right and wrong? Many businesses of all sizes answer no.

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 the organization expects employees to resolve ethical issues

Conflict of interest: situation in which an employee must make a decision

about a business's welfare versus personal gain

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

Corporate philanthropy: act of an organization making a contribution to the communities in which it earns profits

Discrimination: biased treatment of a job candidate or employee

Employment Equity Act (EEA) was created for two reasons: to increase job opportunities for women and members of minority groups and to help end discrimination in any personnel action that is based on race, colour, religion, disability, gender, or national origin. To enforce fair-employment laws, this act is overseen by the Canadian Human Rights Commission, which investigates charges of discrimination and harassment. The EEA can also help employers set up programs to increase job opportunities for women, members of minority groups, people with disabilities, and people in other protected categories

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

Integrity: adhering to deeply felt ethical principles in business situations

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

Recycling: reprocessing of used materials for reuse

Sarbanes-Oxley Act: 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 whistleblowers, 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

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 2.1: Explain the concepts of business ethics and social responsibility.

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

Opening Vignette: Cirque du Soleil: A Class Act in Social Responsibility Cirque's founder, Guy Laliberté, has an idea. He is convinced that the company can become a leader in promoting social responsibility. Then, a trickle-down effect will inspire other companies to follow suit. Cirque du Monde (one of Cirque's social action programs) can be found in nearly 80 communities in 20 countries. The company spends, on average, 1 percent of its earnings on cultural and social action programs. Laliberté set up the One Drop Foundation, which works with Oxfam and others to provide sanitation and access to water to countries in need. Project Haïti began after the 2010 earthquake and is expected to cost more than \$5 million. Cirque du Monde also helps at-risk youth to regain their self-confidence. These youth are invited to attend personal development programs presented by circus instructors and social workers. Cirque is part of Business for Social Responsibility (BSR). This global network of more than 250 companies seeks to develop and maintain sustainable business strategies and solutions. As a result, Cirque has reduced its deliveries to tour destinations by approximately 40 percent. It also groups its inbound shipments to warehouses to reduce transportation-related emissions.	<u><i>Lecture Enhancer:</i></u> <i>Begin by polling the class – how many have heard of Cirque du Soleil?</i> - <i>Of those who have – why? Did they attend a show?</i> - <i>For those who have not, have they heard of One Drop or the founder Guy Laliberté?</i>
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CONCERN FOR ETHICAL AND SOCIETAL ISSUES	PowerPoint Slide 3-4
1. Business Ethics <u>Business ethics</u> are the standards of conduct and moral values regarding right and wrong actions in the work environment.	<i><u>Lecture Enhancer:</u> Do you think the ethical standards of Canadian executives differ from their American counterparts? If yes, what evidence is there of differences?</i>
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.	<i><u>Lecture Enhancer:</u> Can you think of a situation in which the needs of investors might be in conflict with the needs of customers?</i>
b. Businesses must balance between doing what is right and doing what is profitable.	
c. Business ethics are shaped by:	
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:

2.1.1 To whom do businesses have responsibilities?

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

2.1.2 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 2.2: Describe the factors that influence business ethics.

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

THE CONTEMPORARY ETHICAL ENVIRONMENT	PowerPoint Slide 5
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> Can you think of an example where a company may have acted unethically?</i>
b. Most managers have led companies without breaking the rules. Johnson & Johnson provides one example of longstanding commitment to ethical practice:	
i. most-admired pharmaceutical maker,	
ii. 9 th most-admired company in the world,	
iii. has abided by the same basic code of ethics, called its Credo, for more than 50 years,	Figure 2.1: Johnson & Johnson Credo
iv. the Credo remains the standard against which employees evaluate how well the firm is performing.	
c. Many companies are conscious of how ethical standards can translate into concern for the environment. Walmart provides one example:	
i. Walmart Canada introduced four broad categories into its social responsibility priorities: 1. Environment 2. People 3. Responsible Sourcing 4. The Community	
ii. Walmart created a sustainability index so that customers can assess the societal and environmental impact of	

products in its stores.	
d. The ethical environment seems to be improving despite the recession. A survey conducted by the Ethics Resource Center in 2009 found:	<i>Lecture Enhancer: Do you find these statistics surprising or expected?</i>
i. 49 percent of employees witnessed misconduct on the job, down from 56 percent in 2007,	
ii. 63 percent of employees said they reported misconduct when they saw it, up from 58 percent in 2007,	
iii. approximately 25 percent of employees said that the recession has had a negative impact on their company's ethical culture,	
iv. approximately 10 percent said their company had lowered its ethical standards in order to survive the recession.	<i>Lecture Enhancer: Why might some company leaders believe that lowering the company's ethical standards would help it survive the recession?</i>
2. Government Regulations	
<u>Sarbanes-Oxley Act of 2002:</u> a. U.S. 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. Similar legislation has been enacted in Canada known as Bill 198 of 2003, which has come to be referred as "C-SOX" or the Canadian version of Sarbanes-Oxley.	PowerPoint Slide 4
i. Established new regulations for – securities trading – accounting practices.	
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 behaviour.	

b. U.S. Sentencing Commission institutionalizes ethics compliance programs that set high ethical standards to end corporate misconduct.	Table 2.1
3. How Companies Regulate Themselves	
a. Companies appoint ethics compliance officers who:	<i>Lecture Enhancer: Why might some company leaders believe that lowering the company's ethical standards would help it survive the recession?</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:	PowerPoint Slide 6
i. engage in corporate philanthropy,	<i>Lecture Enhancer: Share an example of a company that uses corporate philanthropy to highlight its social responsibility.</i>
ii. anticipate and manage risks,	
iii. identify opportunities to create value by doing the right thing.	
4. Individuals Make a Difference	PowerPoint Slide 9
a. Individuals can affect ethical expectations and behaviour in the workplace.	<i>Lecture Enhancer: How might one individual affect overall ethical behaviour in the workplace?</i>
b. Some workers act illegally or unethically on the job.	
i. The National Business Ethics Survey identifies unethical behaviour 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 behaviour.	

i. Computers allow anyone with access the potential to steal data or shut down a system.	
ii. Data breaches can cost a company up to \$6.6 million per incident.	
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: Have you ever been challenged by an ethical question at work?</i>
i. Some rationalize unethical behaviour 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.	
5. Development of Individual Ethics	PowerPoint Slide 10
a. An individual's stage in moral and ethical development is determined by many factors: - Experiences - Family - Education - Culture - Religion - Company environment	<i>Ask students where their moral compass originates. Is it religion? Family? A combination of both?</i>
6. On-the-Job Ethical Dilemmas	PowerPoint Slide 11
Common Business Ethical Challenges today are: - Conflict of interest - Honesty and integrity - Whistle-blowing - Loyalty versus truth. In 2010, H&M found to be damaging unsold garments before discarding them for the purpose of ensuring clothing was unusable on the black market. Cartier/Tiffany banning the purchase of gems from Myanmar as a protest against civil rights violations/abuse by that country's government.	Figure 2.3: Common Business Ethical Challenges

a. conflict of interest: a situation in which an employee must choose between a business's welfare and personal gain. Most Businesses can handle problems ethically by:	CLASS ACTIVITY: <i>Ask students whether accepting concert tickets from a potential major supplier would affect their decision-making as a buyer of that company's products.</i>
i. avoiding them – most businesses and government agencies have written policies that either prevent employees from accepting gifts or specify a maximum gift value,	
ii. disclosing them – some companies have policies against taking on clients who are competitors of existing clients. A member of a board of directors or a committee member might abstain from voting when he or she has a personal interest in the decision. In other situations, people state their potential conflict of interest so that others can decide whether to use another source instead.	
b. Honesty and Integrity An employee who is honest can be relied on to tell the truth. An employee with integrity goes beyond truthfulness. Having integrity means behaving according to one's deeply felt ethical principles in business situations.	<u>Lecture Enhancer:</u> <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. ADP survey revealed that one in five Canadians lies on his or her résumé. Recently, it was learned that an Osgoode Hall law student, Quami Frederick, had purchased a fake undergraduate degree to gain admission to law school. She also submitted an Osgoode Hall transcript with inflated grades to obtain an articling position at the Bay Street law firm Wildeboer Dellelce, LLP. Frederick now faces a disciplinary hearing that will likely result in her expulsion from Osgoode Hall. The law firm has withdrawn its offer.	CLASS ACTIVITY: <i>Ask students for examples of workplace situations where they struggled with whether their employer was misrepresenting important product information.</i>

ii. Some employees steal from their employers by taking home supplies or products without permission or by carrying out personal business when they are being paid to work.	
iii. Internet misuse during the workday is increasing. Employees use the Internet during work hours for personal e-mail, shopping, gaming, and for visiting bulletin boards and blogs or social networking sites such as Facebook and YouTube.	<i>Ask the class – if employees do their job should employers be concerned?</i>
iv. Some employers have resorted to electronic monitoring and surveillance. These employers have another reason to monitor their employees: complying with the laws regarding the privacy and security of client information.	<i>Ask the class if they see this as a concern? Open a discussion/debate on why/why not?</i>
c. Loyalty versus Truth Individual employees may need to decide between loyalty to the company and truthfulness in business relationships.	
i. People resolve such dilemmas in various ways. Some place the highest value on loyalty, even at the expense of truth.	
ii. Others avoid volunteering negative information but answer truthfully when asked a direct question.	
d. Whistle-blowing Disclosure to company officials, government authorities, or the media of illegal, immoral, or unethical practices committed by an organization.	
i. Fired former Olympic athlete Myrian Bédard for questioning invoices from Groupaction (main focus of the Sponsorship Scandal)	
ii. Sponsorship inquiry March 2004 heard statements from Bédard stating: • That Canadian race-car driver Jacques Villeneuve had secretly been paid \$12 million from the sponsorship fund to wear a Canadian logo. • Her domestic partner, Nima Mazhari, had persuaded then-Prime	

Minister Jean Chrétien not to join the U.S. invasion of Iraq. • Then-Vice President Marc LeFrançois had told her Groupaction was involved in drug trafficking.	
iii. No specific law protects whistle-blowers. However in 2004, Bill C-25, The Public Servants Disclosure Protection Act, was introduced. This bill was intended to protect people who expose problems in the government's bureaucracy. The government said this act will help ensure "transparency, accountability, financial responsibility and ethical conduct."	

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Assessment Check Answers:

2.2.1 What is the role of a firm's ethics compliance officer?

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

2.2.2 What factors influence the ethical environment of a business?

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

Learning Objective 2.3: Discuss how organizations shape ethical behaviour.

No individual makes decisions in a vacuum. Most organizations have established standards of conduct. These standards strongly influence the choices that employees make. Most ethical lapses in business reflect the values in the firms' corporate cultures.

As shown in Figure 2.4, a corporate culture that supports business ethics develops on four levels:

- 1. ethical awareness*
- 2. ethical reasoning*
- 3. ethical action*
- 4. ethical leadership.*

Annotated Lecture Notes

HOW ORGANIZATIONS SHAPE ETHICAL CONDUCT Development of a corporate culture to support business ethics happens on four levels: – ethical awareness – ethical education – ethical action – ethical leadership	PowerPoint Slide 12 Figure 2.4: Structure of an Ethical Environment
1. Ethical Awareness	PowerPoint Slide 13
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.	Johnson & Johnson's credo. Figure 2.1 illustrates such a code.
i. It may specify rules for acceptable behaviour.	
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.	CLASS ACTIVITY: <i>Survey the class to see how many students work for companies that enforce a code of ethics.</i>
2. Ethical Education	PowerPoint Slide 14
a. Businesses must provide the tools employees need to evaluate the options and arrive at suitable decisions.	
b. Some firms run ethics training programs.	
i. Workers practice using ethical values in	

hypothetical scenarios.	
ii. They then can apply the training to real-world situations.	
3. Ethical Action	PowerPoint Slide 15
a. Firms provide structures that show how to turn decisions into actions.	
b. Goals set for the organization, departments, or individuals affect ethical behaviour.	Visit Texas Instruments' website on the ethics quiz: http://www.ti.com/corp/docs/comp any/citizen/ethics/quicktest.shtml
i. Unrealistic goals may lead to questionable behaviour.	
ii. The value of speed creates a climate that prevents careful thought and challenges ethical behaviour.	
c. Companies can support employees facing moral dilemmas by offering a hotline.	
d. Ethics compliance officers can help workers.	
4. Ethical Leadership	PowerPoint Slide 16
a. Executives must demonstrate ethical behaviour in their actions.	
b. Firms need to charge each employee with the responsibility to be an ethical leader.	<i>CLASS ACTIVITY:</i> <i>Ask students for examples of leaders who “walked the talk” and provided strong ethical leadership.</i>
c. All workers should be made aware of problems and defend company standards.	
d. Not all organizations build a framework of business ethics.	
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, labour unions, banking, and securities.	

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Assessment Check Answers:

2.3.1 For an employee, when does loyalty conflict with truth?

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

2.3.2 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 leaders and managers behave ethically.

Learning Objective 2.4: Describe how businesses' social responsibility is measured, and summarize the responsibilities of business to the general public, customers, and employees.

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 labour 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

ACTING RESPONSIBLY TO SATISFY SOCIETY	PowerPoint Slide 17
1. Social Responsibility	
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. Firms not only look at profit and sales.	
ii. They are concerned with employee, consumer, and societal benefits.	
b. Business is socially responsible because:	
i. it is required by law,	
ii. it enhances the company's image,	Going Green: Starbucks Introduces a New Store-Design Strategy Page 42
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,	<i>Lecture Enhancer: Provide an example of a business in your local area that makes environmental concerns a priority.</i>
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 18 Figure 2.5: Business's Social Responsibilities
i. the general public,	
ii. its customers,	
iii. its employees,	
iv. investors and members of the financial community.	
3. Responsibilities to the General Public	PowerPoint Slide 19

a. Public-Health Issues	
i. What should businesses do about dangerous products?	<i>CLASS ACTIVITY:</i> <i>Can students think of any companies that have portrayed or distorted their food products or beverages as “healthy” when, in fact, they are not?</i>
ii. What should businesses do about serious health conditions such as heart disease, diabetes, obesity, and substance abuse?	<u>Solving an Ethical Controversy:</u> <i>Would Prescription Drug Advertisements be Helpful or Harmful to Canadians?</i>
b. Protecting the Environment	
i. Businesses consume huge amounts of energy, which increases the environmental hazards from coal and oil use.	
ii. Production methods leave behind polluting waste material. Suncor, a large oil sands firm in Alberta, was recently fined \$200,000 for dumping harmful materials into a river in Northern Alberta. This dumping took place on the same day that Ottawa promised to improve environmental monitoring of the Canadian oil sands.	
iii. Some products themselves are harmful to the environment, such as electronics that contain lead and mercury.	
iv. Few manufacturers are equipped to handle recycled materials.	
v. Many electronic manufacturing and retail firms are offering take-back, mail-in, and trade-in programs for discarded electronic equipment.	<i>CLASS ACTIVITY:</i> <i>Discuss how students have disposed of their old computers or related electronic equipment.</i>
vi. Finding ways to minimize pollution has become an important economic, legal, and social issue.	
vii. <u>Recycling</u> —reprocessing used materials for reuse—can provide manufacturers with materials while reducing pollution.	Hit & Miss: Pacific Biodiesel Recycles Oil from French Fries to Fuel Page 47
viii. <u>Green marketing</u> is a marketing strategy that promotes environmentally safe products and production methods. Firms must follow FTC guidelines and	Table 2.1 page 48 <i><u>Lecture Enhancer:</u></i> <i>Can you think of a product that</i>

provide scientific evidence of being environmentally friendly.	<i>uses green marketing?</i>
ix. 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, Canadian businesses must assume more responsibility for improving the quality of its workforce.	<i><u>Lecture Enhancer:</u> 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. 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.	
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 22
<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 2.6: Commonly Referred-to Consumer Rights
a. The Right to Be Safe	
i. Businesses must ensure that their products operate safely.	<i>Lecture Enhancer: 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.	
ii. Truth in advertising is protected by rules and regulations set up by the Competition Act and the Food and Drug Act as well as other agencies.	
iii. It is illegal for a business to make unsubstantiated claims about its merchandise. See The Competition Act for the rules and regulations.	
iv. The Competition Bureau and Health Canada sets standards for advertising.	
v. All communications with customers—including salespeople’s comments, warranties, and invoices—must be clear and accurate.	<i>Lecture Enhancer: Explain why cable companies have been a recent target of fair competition laws.</i>
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 23

Businesses are responsible to workers here and abroad in terms of safety, quality-of-life, and equal opportunity.	
They must avoid age discrimination, sexism, and sexual harassment.	
a. Workplace Safety	<i>CLASS ACTIVITY: Ask students whether they have ever observed a workplace safety issue.</i>
i. A century ago, workplace safety was of little concern. The Canadian Centre for Occupational Health And Safety (CCOHS) promotes workplace health and safety. Workers' compensation programs are managed mostly at the provincial level by organizations such as the Workplace Safety and Insurance Board in Ontario, the Workers' Compensation Board in Nova Scotia, and the Workers' Compensation Board of Alberta.	
ii. It creates rules for specific industries, tracks workplace accidents, and has the authority to fine employers who are found liable for injuries and deaths.	
iii. According to a 2010 research study, each year, one in every 53 employed workers was injured and received workers' compensation.	
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 flexible hours, job-sharing, backup childcare, and care for sick children.	
v. Some women are starting their own businesses so that they can set their own hours and goals.	Hit & Miss: Balancing Life and Work with a Cup of Tea Page 53

vi. Some companies are approaching paid time off in innovative ways, such as allowing open-ended vacation time as long as projects are completed.	<i>Lecture Enhancer:</i> <i>How do you think firms should handle absenteeism?</i>
vii. The Family 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 Canadian Charter of Rights and Freedoms “Every individual is equal before and under the law and has the right to the equal protection and equal benefit of the law without discrimination and, in particular, without discrimination based on race, national or ethnic origin, colour, religion, sex, age or mental or physical disability.”	Table 2.2
iv. The Employment Equity Act (EEA) – to increase job opportunities for women and members of minority groups and to help end discrimination in any personnel action that is based on race, colour, religion, disability, gender, or national origin.	
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.	
iii. The Canadian Human Rights Act (CHRA) prohibits age discrimination except in very specific cases.	
e. Sexual Harassment and Sexism	
i. <u>Sexual harassment</u> refers to unwelcome or inappropriate action of a sexual nature in the workplace.	<i>CLASS ACTIVITY: Ask students to provide recent examples of sexual harassment in contemporary companies.</i>
ii. It is a form of sex discrimination that violates the CHRA.	<i><u>Lecture Enhancer:</u> What might be some consequences for investors if a business does not act ethically or legally?</i>
iii. Two types of sexual harassment: 1) When an employee is pressured to comply with unwelcome advances and requests for sexual favours 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.	
iv. The rules include sexually oriented materials in the workplace as well as the behaviour of clients and customers of a firm.	
v. The costs of lawsuit settlements or fines can be enormous.	
vi. An effective program should include a policy statement, complaint procedure, open work atmosphere, and ways to investigate issues and discipline offenders.	
vii. <u>Sexism</u> is a broad term applying to workplace discrimination against members of either sex, although usually women.	
viii. Equal pay for equal work is an important sexism issue.	
ix. On average, a Canadian woman earns 70.5 percent of what a man earns.	

Notes: _____

Going Green: Starbucks Introduces a New Store-Design Strategy

Page 42

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 neighbourhood and reducing environmental impact. These goals are part of Starbucks' efforts to stay in step with its customers' interests, lifestyles, and values.

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 involved its customers in these efforts?

Starbucks has involved its customers in these efforts by reducing its prices for customers who bring in their own travel cups. It also plans to design its stores in keeping with the individual character of its customers' neighbourhoods.

Hit & Miss: Pacific Biodiesel Recycles Oil from French Fries to Fuel

Page 47

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.

3. Would Canadian Pacific likely be as successful as Pacific Biodiesel in making a public impact, given that a U.S. competitor has already established the technology?

Yes, with its U.S. competitor leading the way and setting an example then CP may use it as a benchmark.

Hit & Miss: Balancing Life and Work with a Cup of Tea

Page 53

Summary

Zhena Muzyka was the 25-year-old single mother of an infant boy in need of kidney surgery. She had no health insurance and no significant savings. Zhena started her own tea-selling business in order to have the flexibility to care for her son while earning a living. As her business grew, she became committed to using only Fair Trade teas when creating her blends. Fair Trade tea workers have guaranteed health care, clean water, education, and maternity leave and child care. Zhena's Gypsy Tea now embraces environmentally friendly business practices as well.

Questions for Critical Thinking

1. How did Zhena Muzyka translate her life experiences into her

company's ethics culture?

Zhena Muzyka's life experiences taught her the importance of a healthy work-life balance because she had to care for her ill son while working. Subsequently, Zhena's business became committed to doing business only with Fair Trade providers of tea, which ensures that workers have health care, child care, and a safe working environment.

2. Do you have an idea for starting your own business? If so, brainstorm some ideas for balancing your life and values with your work.

Students answer individually.

3. What key provincial or federal legislation would you need to be aware of especially if your business was to grow and employ a significant number of staff members?

- *The Competition Bureau / Competition Act*
- *Industry Canada / Food and Drug Act*
- *The Canadian Human Rights Act (CHRA)*
- *The Employment Equity Act (EEA)*
- *Refer to Table 2.2 page 54*

Assessment Check Answers:**2.4.1 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 equal value when evaluating the firm's performance. Businesses exercise it because it is required by law, because it enhances the company's image, or because management believes it is the right thing to do.

2.4.2 What is green marketing?

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

2.4.3 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 2.5: Explain why investors and the financial community are concerned with business ethics and social responsibility.

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. Provincial regulators such as the Ontario Securities Commission and the Alberta Securities Commission are primarily responsible for protecting investors from financial misdeeds.

These provincial regulators investigate suspicions of unethical or illegal behaviour by publicly traded firms.

Annotated Lecture Notes

RESPONSIBILITIES TO INVESTORS AND THE FINANCIAL COMMUNITY	PowerPoint Slide 24
Business has an obligation to make a profit for its shareholders.	
Investors expect legal and ethical behaviour.	
Agencies protect investors from financial misdeeds.	
The Alberta Securities Commission is primarily responsible for protecting investors from financial misdeeds.	

Notes: _____

Assessment Check Answers

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

Firms need to do more than just earn a profit because the law requires them to behave in a legal and ethical manner and because investors and shareholders demand such behaviour.

2.5.2 What is the role of the provincial securities regulators?

These bodies are primarily responsible for protecting investors from financial misdeeds. These provincial regulators investigate suspicions of unethical or illegal behaviour by publicly traded firms. They look into accusations that a business is using faulty accounting practices to inaccurately report its financial resources and profits to investors.

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 behaviour).

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. How do individuals make a difference in a firm's commitment to ethics? Describe the three stages an individual goes through when developing ethical standards.

Individuals can make a difference in a firm's commitment to ethics through their ethical expectations and behaviour. 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. Identify the ethical dilemmas in each of the following situations. (A situation might involve more than one dilemma.)

- a. Due to the breakup with a client, an advertising agency finds itself working with rival companies.
- b. A newly hired employee learns that the office manager plays computer games on company time.
- c. A drug manufacturer offers a doctor an expensive gift to encourage the

- doctor to prescribe a new brand-name drug.
- d. An employee is told to destroy documents that show a firm's role in spreading pollution.
 - e. A company spokesperson agrees to a media conference that puts a positive spin on the firm's use of underpaid labour.
-
- 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 unfavourable
 - 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 unfavourable

4. Describe how ethical leadership helps to develop each of the other ethical standards.

Ethical leadership—dictates that managers not only talk about ethical behaviour 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. How 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 where businesses have responsibilities to the general public? How can meeting these responsibilities lead to 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. Describe the four basic rights that consumerism tries to protect. How has consumerism improved the contemporary business environment? What challenges has consumerism 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 five major responsibilities do companies have to their employees? What changes in society are 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. Which equal opportunity laws or acts protect the following workers:

- a. an employee who must care for an elderly parent
– *The Family Medical Leave Act*
- b. a Canadian Armed Forces member who is returning from deployment overseas
– *Reservists Act*
- c. a job applicant who is HIV positive
– *Canadian Charter of Rights and Freedoms, 1982*
- d. a person who is over 40 years old
– *Canadian Human Rights Act and Provincial Human Rights Codes*
- e. A woman who has been sexually harassed on the job
– *Canadian Charter of Rights and Freedoms, 1982*
- f. A woman who has a family history of breast cancer
– *Canadian Charter of Rights and Freedoms, 1982*

10. How does a company show its responsibility to investors and to 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 acts legally and ethically, treats its employees fairly, reports its earnings and losses accurately, and considers 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 behaviour at school, in personal relationships, and on the job. Then assess how well you meet your own standards and revise them if necessary.

Have students share the individual personal code of ethics that they wrote. How did the codes differ among classmates? What values or beliefs did many students stress? Which ones were left out?

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. Tim Horton's
- b. the National Hockey League (NHL), or any major professional sports league
- c. TELUS Mobility
- d. RBC Financial Group
- e. Research in Motion
- f. RONA
- g. IKEA

Ask students to share their findings. How far does the firm's ethical awareness, ethical education, ethical actions and ethical leadership go? Students can give examples.

3. Using the company you studied for question 2 (or another company), conduct a social audit. Do your findings match the firm's culture of ethics? If not, what are the differences, and why did they occur?

Have students discuss the findings of their social audit. Do they match the firm's culture of ethics?

4. On your own or with a classmate, go online, flip through a magazine, or surf television channels to identify a firm that uses green marketing. If you see a commercial on television, go to the firm's website to learn more about the product or process advertised. Does the firm make claims that comply with the Competition Bureau's guidelines? Present your findings in class.

Ask students whether they agree with the statement about how common it is to exaggerate in advertising. Is it just part of the nature of advertising to embellish and elaborate? Or can it truly be considered deception and misrepresentation?

5. As a consumer, you expect the companies you do business with will

have a certain level of responsibility toward you. Describe a situation when 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?

Students can give personal examples of negative experiences as a consumer. How did they decide to handle this situation? How did they weigh the issues and come up with a balanced solution?

Web Assignments

1. Ethical standards. Go to the website listed below. It summarizes the ethical standards for all TELUS employees. Read the material and then write a brief report that compares TELUS's ethical standards to the discussion on corporate ethics in this chapter. In addition, consider how TELUS's ethical standards are integrated into the firm's overall efforts at global citizenship.

http://about.telus.com/governance/downloads/2010_Ethics_Policy_EN.pdf

2. Starting a career. Each year, *Canada's Top 100* rates the best companies to work for. Visit the *Canada's Top 100* website and review the most recent list. What criteria did *Canada's Top 100* use when building this list? What role does ethics and social responsibility play?

<http://www.canadastop100.com/>

3. Social responsibility. Footwear manufacturer La Canadienne is one of the few companies in its industry that still manufactures products in Canada. Go to the website listed below to learn more about the firm's commitment to Canadian manufacturing. Prepare a report that relates this commitment to the firm's other core values.

<http://www.lacanadienneshoes.com/>

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.

CHAPTER 2: COLLABORATIVE LEARNING EXERCISES

1. Ethics and Legality

Learning Objective: 2.2

Purpose:

To clarify the difference between ethical and legal behaviour.

Background:

Many students have never thought about laws as the “floor” for ethical behaviour; 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 2.2

Estimated Class Time:

Approximately 10 minutes

Preparation/Materials:

None needed

Exercise:

Ask your class to identify examples of the following behaviours. 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 behaviour (e.g., embezzling money, sexual harassment)
- Illegal and ethical behaviour (e.g., providing rock-bottom prices only to struggling wholesalers in an underserved rural area)
- Legal and unethical behaviour (e.g., promoting R-rated movies to young teens, engaging in favouritism, providing sub-par health insurance)
- Legal and ethical behaviour (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 behaviour as a matter of course.

2. Ethical Dilemmas

Learning Objective: 2.3

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 2.3

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 or not 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: 2.3

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 2.3

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: 2.3

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 re-evaluate their own behaviour from an employee perspective.

Relationship to Text:

Honesty and Integrity – Learning Objective 2.3

Estimated Class Time:

Approximately 10 minutes

Preparation/Materials:

None needed

Exercise:

- Share with your class a survey published in *Newsweek* magazine

about non-work-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 non-work-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: 2.4

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 2.4

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.