4 Business Ethics and Social Responsibility: Doing Well by Doing Good

• What is ethics? Business ethics?
• What are the universal ethical standards?
• What is an ethical dilemma?
• How does ethics relate to the individual and the organization?
• What is social responsibility and its impact on stakeholders?
• What is the role of social responsibility in the global arena?
• How do companies evaluate their efforts to be socially responsible?
• **Ethics** – beliefs about right and wrong

• **Social Responsibility** – the obligation of a business to contribute to society
### Universal Ethical Standards

<table>
<thead>
<tr>
<th>Universal Ethical Standards</th>
<th>Character Counts, a nonpartisan organization of educators, community leaders, and ethicists.</th>
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</thead>
<tbody>
<tr>
<td><strong>Trustworthiness</strong></td>
<td>Developed by Character Counts, a nonpartisan organization of educators, community leaders, and ethicists.</td>
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<tr>
<td>Be honest.</td>
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<tr>
<td>Don’t deceive, cheat, or steal.</td>
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<tr>
<td>Do what you say you’ll do.</td>
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<tr>
<td><strong>Respect</strong></td>
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<td>Treat others how you’d like to be treated.</td>
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<td>Be considerate.</td>
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<td>Be tolerant of differences.</td>
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<td><strong>Responsibility</strong></td>
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<tr>
<td>Persevere.</td>
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<td>Be self-controlled and self-disciplined.</td>
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<td>Be accountable for your choices.</td>
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<td><strong>Fairness</strong></td>
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<td>Provide equal opportunity.</td>
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<td>Be open-minded.</td>
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<td>Don’t take advantage of others.</td>
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<tr>
<td><strong>Caring</strong></td>
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<td>Be kind.</td>
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<td>Be compassionate.</td>
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<td>Express gratitude.</td>
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<tr>
<td><strong>Citizenship</strong></td>
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<tr>
<td>Contribute to the community.</td>
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<tr>
<td>Protect the environment.</td>
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<tr>
<td>Cooperate whenever feasible.</td>
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Business Ethics: Not an Oxymoron

- **Business Ethics** – the application of right and wrong in the workplace.

  ✓ Most challenging business decisions seem to arise when values are in conflict.

- **Ethical Dilemma** - negative consequences, two unfavorable options

- **Ethical Lapse** - clear misconduct
Ethics: Multiple Touchpoints

*Individuals must make their own ethical choices*

*BUT*

*The organization can have a significant influence on decisions*
Framework for Ethical Decisions:
1. Do you understand the dimensions of the problem?
2. Who would benefit? Who would suffer?
3. Are the alternative solutions legal? Are they fair?
4. Does your decision make you comfortable?
5. Could you defend your decision on the nightly news?
• Ethical influence starts at the top.
• Actions matter more than words.
• The appearance of shaky ethics can be deeply damaging.

“CEOs in particular must communicate their personal commitment to high ethical standards and consistently drive the message down to employees through their actions.”
Creating and Maintaining an Ethical Organization

- Organizational Culture
- Role of Top Management
- Code of Ethics
  1. Executive buy-in
  2. Clear expectations
  3. Integrated approach
  4. Global and local
  5. Whistleblower support
  6. Reporting and enforcement
**Social Responsibility** is the obligation of a business to contribute to society.

Nearly 80% of Americans consider corporate citizenship when making investment and purchasing decisions.
The Spectrum of Social Responsibility

**Less Responsible**
No Contribution
Some businesses do not recognize an obligation to society and do only what's legally required.

**Responsive Contributions**
Some businesses choose to respond on a case-by-case basis to market requests for contributions.

**Proactive Contributions**
Some businesses choose to integrate social responsibility into their strategic plans, contributing as part of their business goals.

**More Responsible**
Stakeholders are any groups that have a stake or a personal interest in the performance and actions of an organization.
## The Stakeholder Approach: Responsibility to Whom?

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<th>Stakeholder</th>
<th>Responsibility</th>
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<tr>
<td><strong>EMPLOYEES</strong></td>
<td>Creating Jobs that Work</td>
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<tr>
<td><strong>CUSTOMERS</strong></td>
<td>Value, Honesty and Communication</td>
</tr>
<tr>
<td><strong>INVESTORS</strong></td>
<td>Fair Stewardship and Full Disclosure</td>
</tr>
<tr>
<td><strong>COMMUNITY</strong></td>
<td>Business and the Greater Good</td>
</tr>
<tr>
<td><strong>ENVIRONMENT</strong></td>
<td>Sustainable Development</td>
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Responsibility to Employees: Creating Jobs that Work

• Meet Legal Standards

• Workplace Safety

• Minimum Wage/Overtime Requirements

• Value Employees

• Provide Work/Life Balance
Responsibility to Customers: Value, Honesty and Communication

CONSUMERISM:

The Right to Be Safe

The Right to Be Informed

The Right to Choose

The Right to be Heard

Planned Obsolescence – Deliberately designing products to fail in order to shorten the time between consumer repurchases
Responsibility to Investors: 
Fair Stewardship and Full Disclosure

✓ Legal Requirements: 
*Sarbanes-Oxley*

✓ Responsible use of 
Corporate Dollars: 
*Honesty*
Responsibility to Community: Business and the Greater Good

- **Corporate Responsibility** - actions of the business rather than donations of money and time.

- **Cause-related Marketing** – partnerships between businesses and nonprofit organizations, designed to spike sales for the company and raise money for the nonprofit.

- **Corporate Philanthropy** - business donations to nonprofit groups, including both money and time.
Responsibility to the Environment: Sustainable Development

Sustainable Development

Beyond federal, state and local laws: doing business to meet the needs of this generation without harming the ability of future generations

Carbon Footprint

Amount of harmful greenhouse gases a firm emits

Green Marketing

Marketing environmental products and practices for competitive advantage
Ethics and Social Responsibility in the Global Arena: A House of Mirrors?

Corruption is part of the culture in many countries

✓ Bribes or Gifts

Labor issues in host countries can be complicated

✓ Living Wage
✓ Child Labor
SOCIAL AUDIT

A systematic evaluation of how well a firm is meeting its ethics and social responsibility objectives.
Looking Back

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