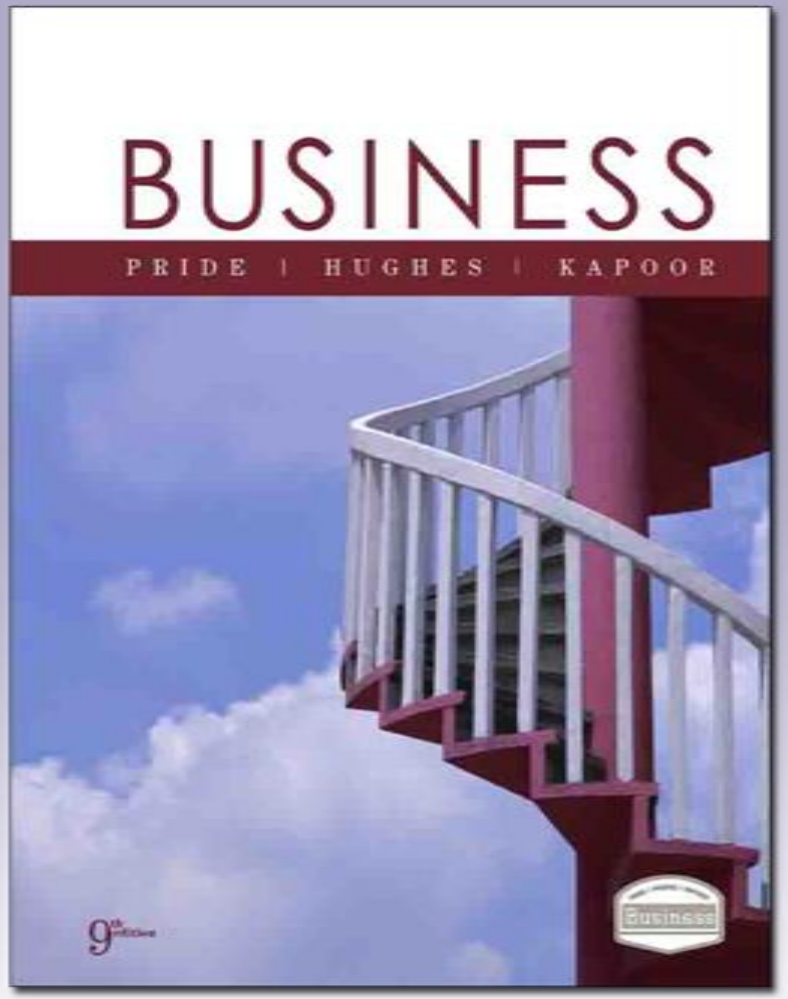
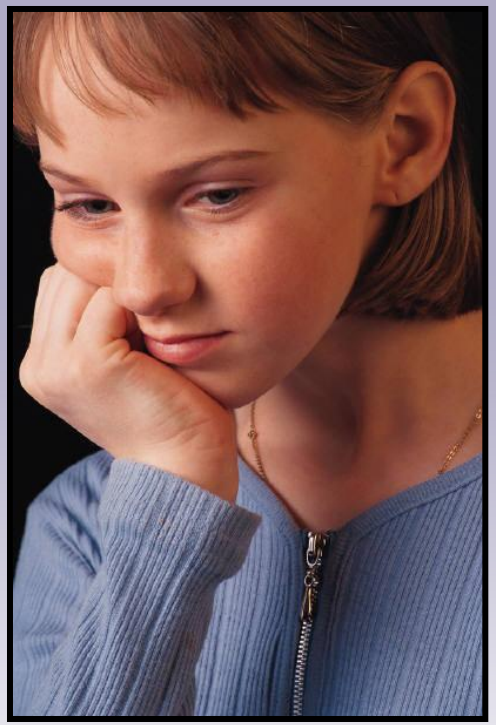


Chapter Two

Being Ethical and Socially Responsible

Business Ethics Defined

- Ethics
  - The study of right and wrong
- Business ethics
  - The application of moral standards to business situations



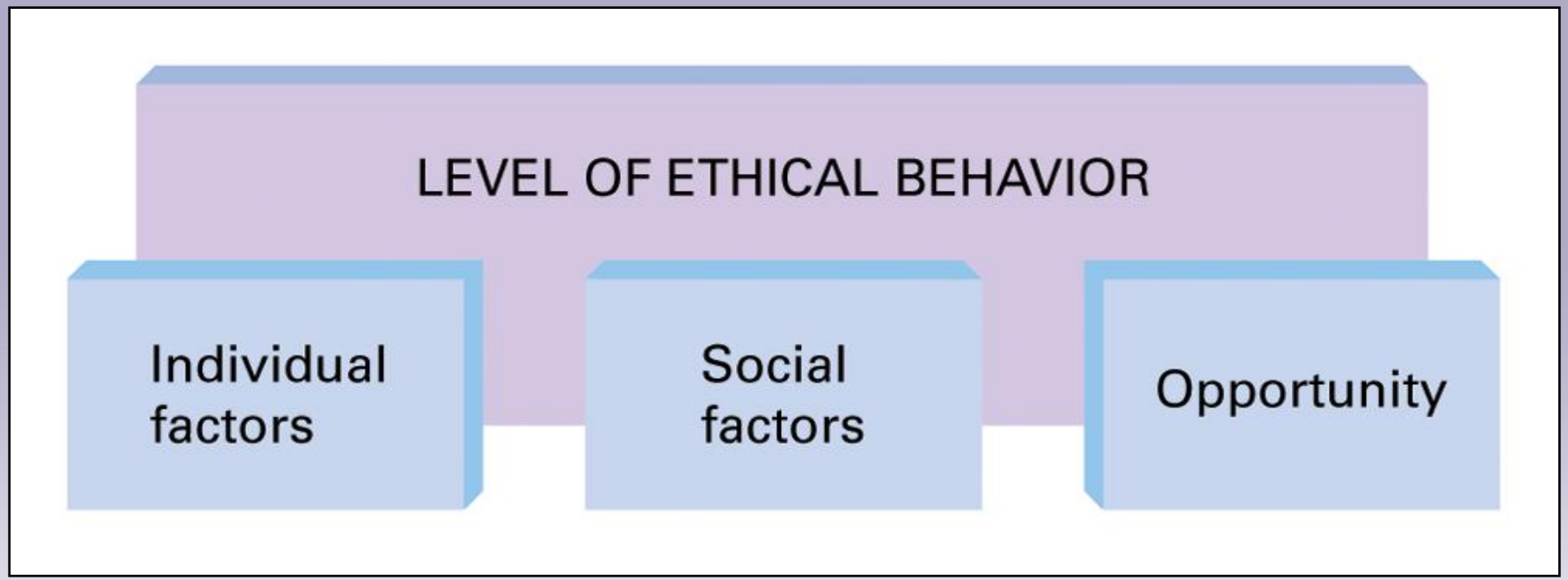
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Ethical Issues

- Fairness and honesty
  - Business people are expected to refrain from knowingly deceiving, misrepresenting, or intimidating others
- Organizational relationships
  - A business person should put the welfare of others and that of the organization above their own personal welfare
- Conflict of interest
  - Issues arise when a business person takes advantage of a situation for personal gain rather than for the employer's interest
- Communications
  - Business communications that are false, misleading, or deceptive are both illegal and unethical

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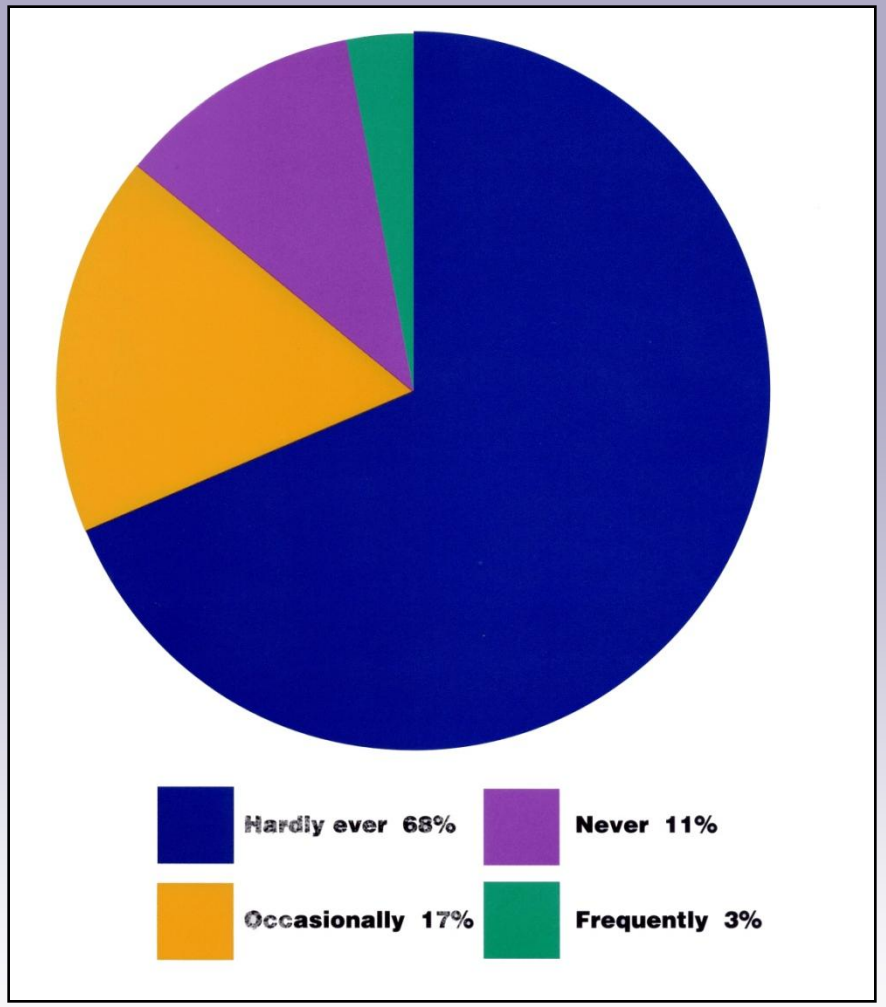
Factors Affecting Ethical Behavior



Source: Based on O.C. Ferrell and Larry Gresham, "A Contingency Framework for Understanding Ethical Decision Making in Marketing," *Journal of Marketing,* summer 1985, p. 89.

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How Often People Say They Lie



Source: USA Today, 1997.

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How do you decide what is right or wrong?

- Is there a process you use?
- Where did you learn to make decisions this way?

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Encouraging Ethical Behavior



External to a specific organization

- Governmental legislation and regulations
- Trade association guidelines

Within an organization

- Code of ethics
  - A written guide to acceptable and ethical behavior as defined by an organization; it outlines policies, standards, and punishments
- Organizational environment
  - Management direction
  - Employee training

Whistle-blowing

- Informing the press or government officials about unethical practices within one's organization

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“The Six Pillars of Character”

1. Trustworthiness
2. Respect
3. Responsibility
4. Fairness
5. Caring
6. Citizenship



For more detail go to the website by clicking on this hotlink.

Source: Josephson Institute of Ethics, “Resources: Making Ethical Decisions- The Six Pillars of Character,” http://www.josephsoninstitute.org/MED/MED-2sixpillars.htm.

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Can Ethics be taught?

Yes

- Courses on business ethics teach students how to analyze the ethical problems they face

or

No

- An individual's beliefs, values, and morals are developed long before he or she enters school or begins a career.

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Class Exercise



- **Discuss the following…**
  - The manufacturer of a leading insect spray changes the product to eliminate an ingredient that many are allergic to. The change will make the product less effective. The manufacturer does not inform consumers.
  - About 33% of all business failures each year are traced back to employee theft and other employee crime.
  - The average worker admits to wasting 2.09 hours per workday surfing the Internet.

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Social Responsibility

- The recognition that business activities have an impact on society and the consideration of that impact in business decision making
  - Social responsibility costs money, but is also good business



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The Evolution of Social Responsibility in Business (cont'd)

- The Great Depression and beyond
  - Franklin D. Roosevelt instituted economic and social programs
  - Laws were passed to correct business abuses



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Two Views of Social Responsibility

- **Economic model**
  - The view that society will benefit most when business is left alone to produce and market profitable products that society needs

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Two Views of Social Responsibility (cont'd)

- **Socioeconomic model**
  - The concept that business should emphasize not only profits but also the impact of its decisions on society

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Class Exercise



- Give some examples of socially responsible activities by organizations in your area or other national or international organizations with which you are familiar.
- Bill and Melinda gates have given away more than $10 Billion. Is such philanthropy the responsibility of all corporate leaders?

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Employment Practices

- Progress toward affirming the rights of employees to equal treatment in the workplace
  - Minority
    - A racial, religious, political, national, or other group regarded as different from the larger group of which it is a part and that is often singled out for unfavorable treatment
- Anti-discrimination laws passed in 1960s and 1970s
- But abuses still exist

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Employment Practices (cont'd)

- Affirmative Action programs
  - Plans designed to increase the number of minority employees at all levels within an organization
  - Problems arise from the use of quotas and charges of reverse discrimination
  - Equal Employment Opportunity Commission (EEOC)
    - The federal agency empowered to investigate complaints of employment discrimination and to sue firms that practice it

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Concern for the Environment

- Pollution
  - The contamination of water, air, or land through the actions of people in an industrialized society

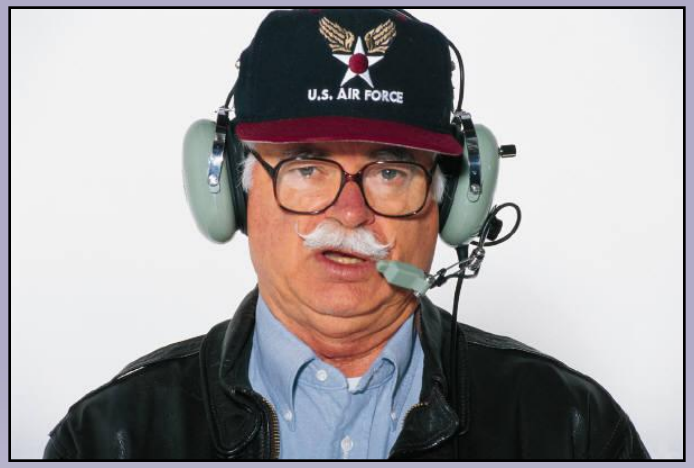
- Environmental Protection Agency (EPA)
  - The federal agency charged with enforcing laws affecting the environment



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Concern for the Environment (cont'd)

- Noise pollution
  - Excessive noise can do physical harm
  - Ways to reduce noise levels
    - Isolating the source of the noise
    - Modifying machinery and equipment
  - If noise cannot be reduced, workers can be protected by wearing noise-reduction gear



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