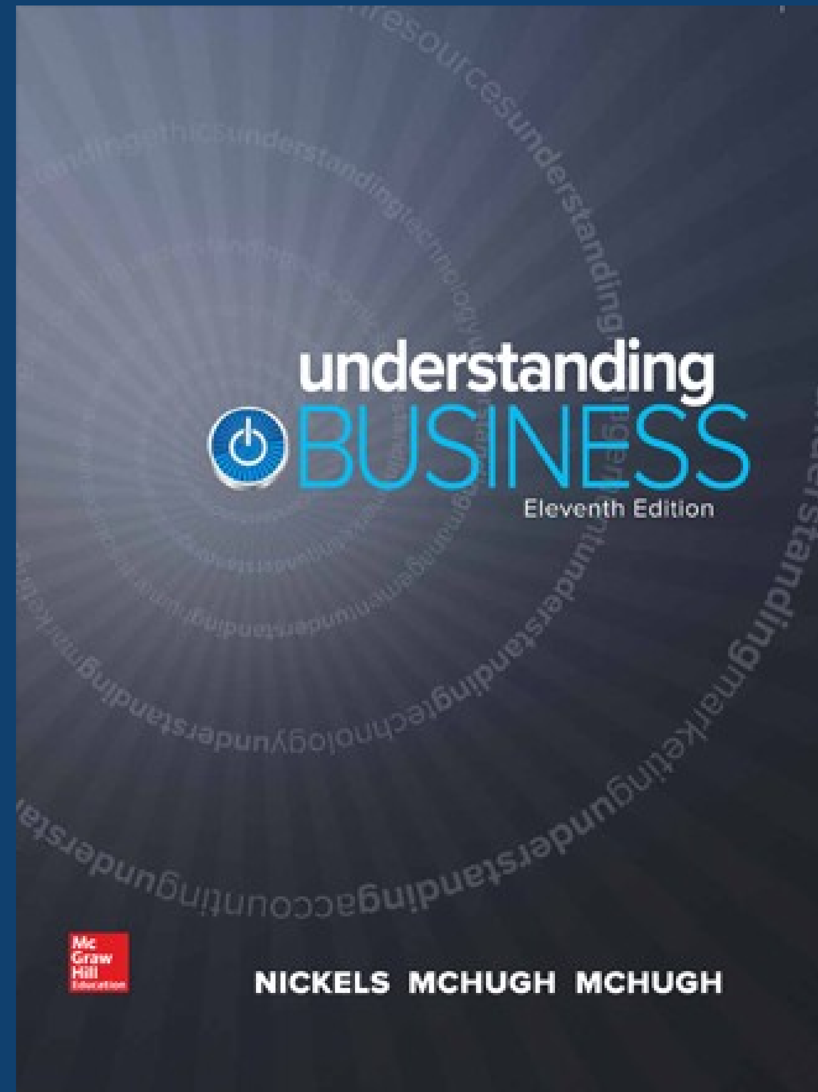
CHAPTER 4

Demanding Ethical and Socially Responsible Behavior



LEARNING OBJECTIVES

1. Explain why obeying the law is only the first step in behaving ethically.
2. Ask the three questions you need to answer when faced with a potentially unethical action.
3. Describe management’s role in setting ethical standards.

LEARNING OBJECTIVES

4. Distinguish between compliance-based and integrity-based ethics codes, and list the six steps in setting up a corporate ethics code.

5. Define *corporate social responsibility* and compare corporations' responsibilities to various stakeholders.

6. Analyze the role of U.S. businesses in influencing ethical behavior and social responsibility in global markets.

WHAT are ETHICS?

LO 4-1

- **Ethics --** *The standards of moral behavior. Behaviors that are accepted by society as right versus wrong.*

BASIC MORAL VALUES

LO 4-1

Right:

- Integrity
- Respect for human life
- Self-control
- Honesty
- Courage
- Self-sacrifice

Wrong:

- Cheating
- Cowardice
- Cruelty

FACING ETHICAL DILEMMAS

LO 4-2

- **Ask yourself these questions:**
  - Is it legal?
  - Is it balanced?
  - How will it make me feel about myself?

TEST PREP

- What are ethics?
- How do ethics differ from legality?
- When faced with ethical dilemmas, what questions can you ask yourself that might help you make ethical decisions?

ETHICS START at the TOP

LO 4-3

- Organizational ethics begin at the top.
- Managers can help instill corporate values in employees.
- Trust between workers and managers must be based on fairness, honesty, openness and moral integrity.

ETHICS CODES

LO 4-4

- An increasing number of companies have adopted written codes of ethics.

- **Compliance-Based Ethics Code --** *Emphasize preventing unlawful behavior by increasing control and by penalizing wrongdoers.*

- **Integrity-Based Ethics Code --** *Define the organization's guiding values, create an environment that supports ethically sound behavior and stress a shared accountability.*

CORPORATE PHILANTHROPY and SOCIAL INITIATIVES

LO 4-5

- **Corporate Philanthropy --** *Includes charitable donations.*
- **Corporate Social Initiatives --** *Include enhanced forms of corporate philanthropy.*

CORPORATE RESPONSIBILITY and POLICY

LO 4-5

- **Corporate Responsibility --** *Includes everything from hiring minority workers to making safe products, minimizing pollution, using energy wisely, and providing a safe work environment.*

- **Corporate Policy --** *The position a firm takes on social and political issues.*

INSIDER TRADING

LO 4-5

- **Insider Trading --** *Insiders using private company information to further their own fortunes or those of their family and friends.*

- Unethical behavior does financial damage to a company and investors are cheated.

RESPONSIBILITY to EMPLOYEES

LO 4-5

- Create jobs and provide a chance for upward mobility.
- Treat employees with respect.
- Offer salaries and benefits that help employees reach their personal goals.

SOCIETY and the ENVIRONMENT

LO 4-5

- Over one-third of working Americans receive their salaries from nonprofits – who are dependent on funding from others.
- The green movement emerged as concern about global warming increased.
- Many companies are trying to minimize their *carbon footprints* – the amount of carbon released during an item's production, distribution, consumption and disposal.

RESPONSIBILITY to the ENVIRONMENT

LO 4-5

- Environmental efforts may increase costs, but can offer good opportunities.
- The emerging renewable-energy and energy-efficiency industries account for 9 million U.S. jobs.
- By 2030, as many as 40 million “Green” jobs will be created.

SOCIAL AUDITING

LO 4-5

- **Social Audit --** *A systematic evaluation of an organization's progress toward implementing socially responsible and responsive programs.*

- **Five Types of Watchdogs**
  1) *Socially conscious investors*
  2) *Socially conscious research organizations*
  3) *Environmentalists*
  4) *Union officials*
  5) *Customers*