8th edition

Griffin

management

chapter **4**

Ready Notes

The Ethical and Social Environment

For in-class note taking, choose Handouts or Notes Pages from the print options, with three slides per page.

Individual Ethics in Organizations

- Ethics: an individual's personal beliefs about whether a behavior, action, or decision is right or wrong.

- Ethical behavior: conforms to generally accepted social norms.

- Unethical behavior: does not conform to generally accepted social norms.
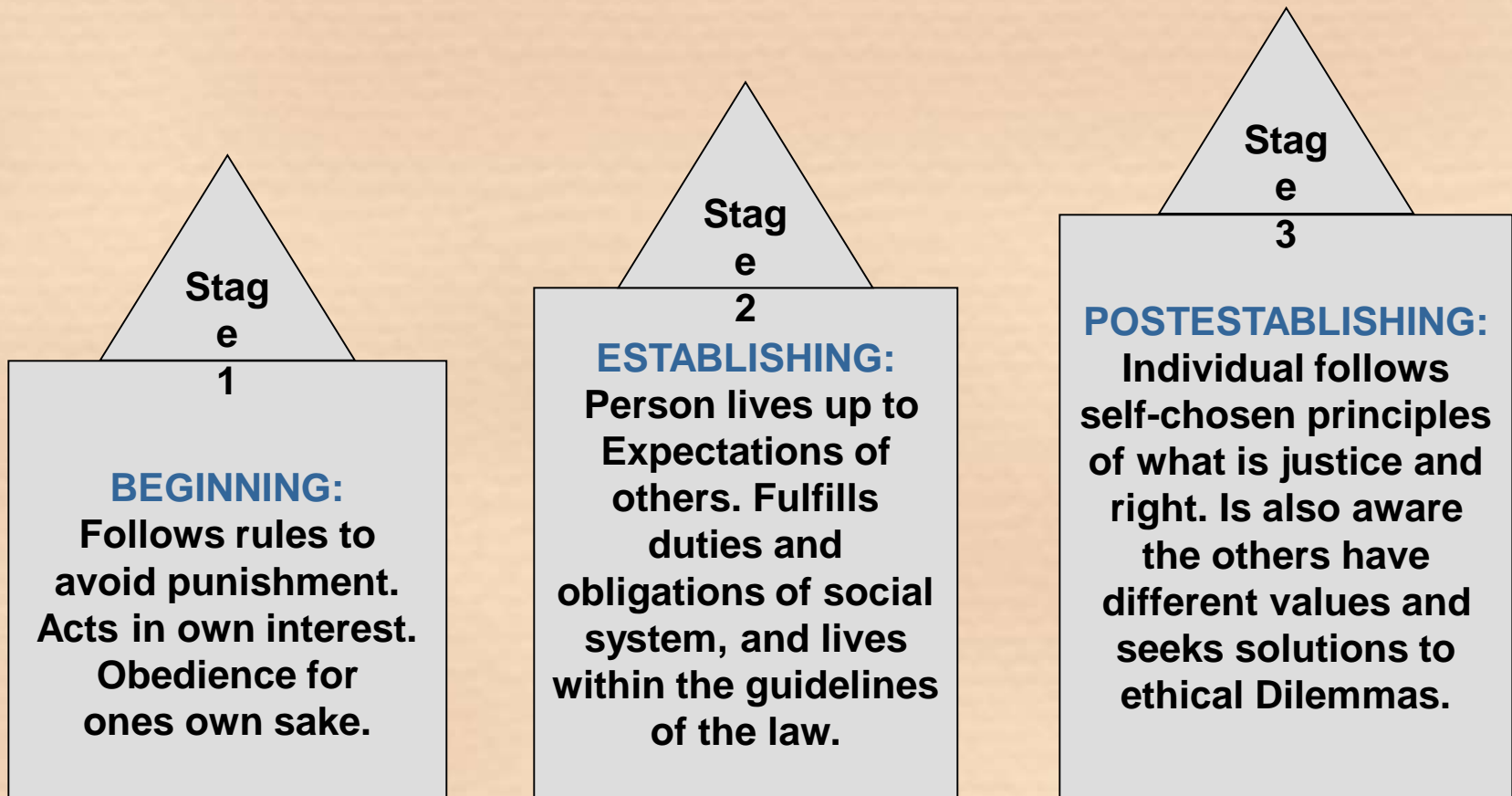
Figure 4.1: Managerial Ethics

Moral and Personal Development

There are three stages:

Stage 1

BEGINNING:
Follows rules to avoid punishment. Acts in own interest. Obedience for ones own sake.

Stage 2

ESTABLISHING:
Person lives up to Expectations of others. Fulfills duties and obligations of social system, and lives within the guidelines of the law.

Stage 3

POSTESTABLISHING:
Individual follows self-chosen principles of what is justice and right. Is also aware the others have different values and seeks solutions to ethical Dilemmas.

Managerial Ethics

- Standards of behavior that guide individual managers in their work.

- Three Basic Areas of Concern:

  Managers need to approach the following from an ethical and moral perspective:

  – Relationships of the firm to the employees.

  – The employees to the firm.

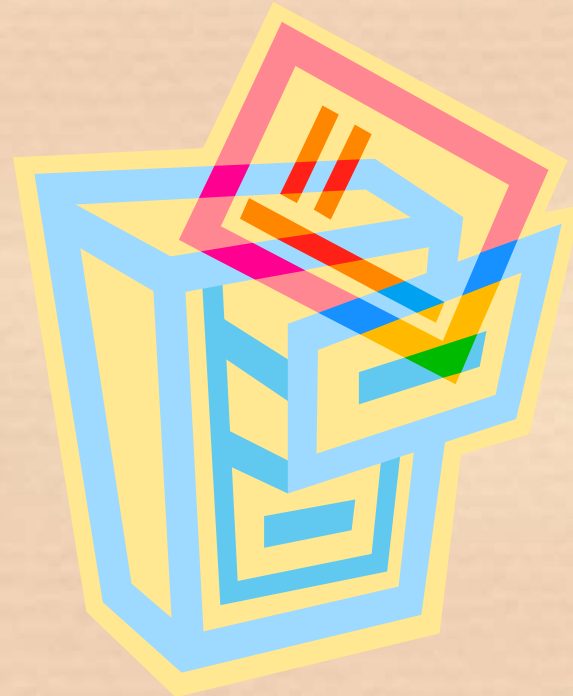 – The firm to other economic agents.

How an Organization Treats Its Employees

- Important areas of managerial ethics include:
  - Hiring.
  - Firing.
  - Wages.
  - Working conditions.
  - Employee privacy.
  - Employee respect.

How Employees Treat the Organization

- Especially in regard to:
  - Conflicts of interest.
  - Security.
  - Confidentiality.
  - Honesty.
- Most companies have policies that guard against violation of these ethical issues.

How Employees and Organization Treat Other Economic Agents

- Ethics play a part in the relationship between the firm and its employees with other economic agents.

- Behaviors between the organization and these agents that may be subject to ethical ambiguity include:
  - Advertising
  - Promotions
  - Financial disclosures
  - Purchasing
  - Shipping
  - Solicitation
  - Bargaining
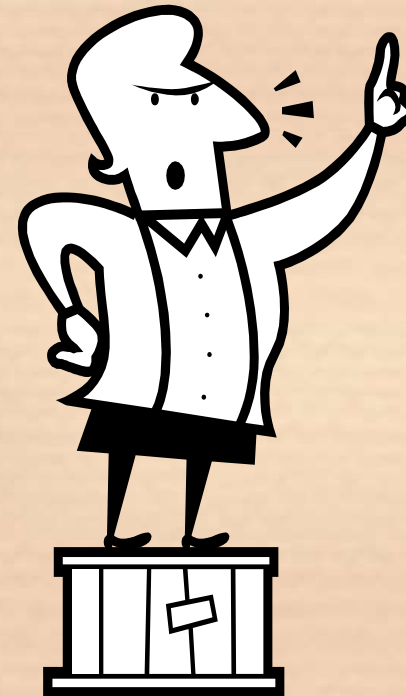 - Negotiation, and other business relationships.

Ethics in an Organizational Context

- Actions of peer managers and top managers, as well as the organization's culture, all contribute to the ethical context of the organization.

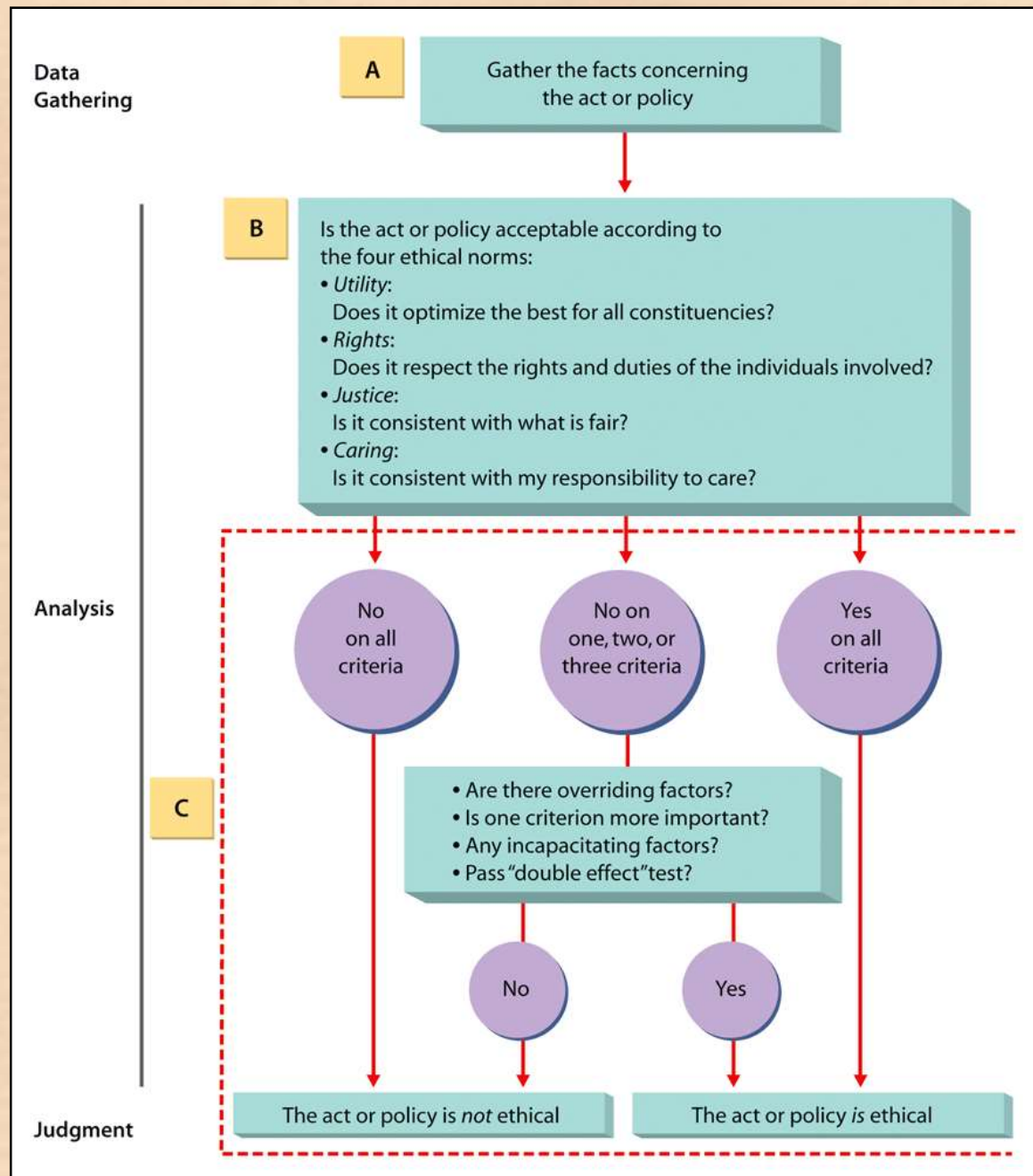- Organizational practice may strongly influence the ethical standards of employees.
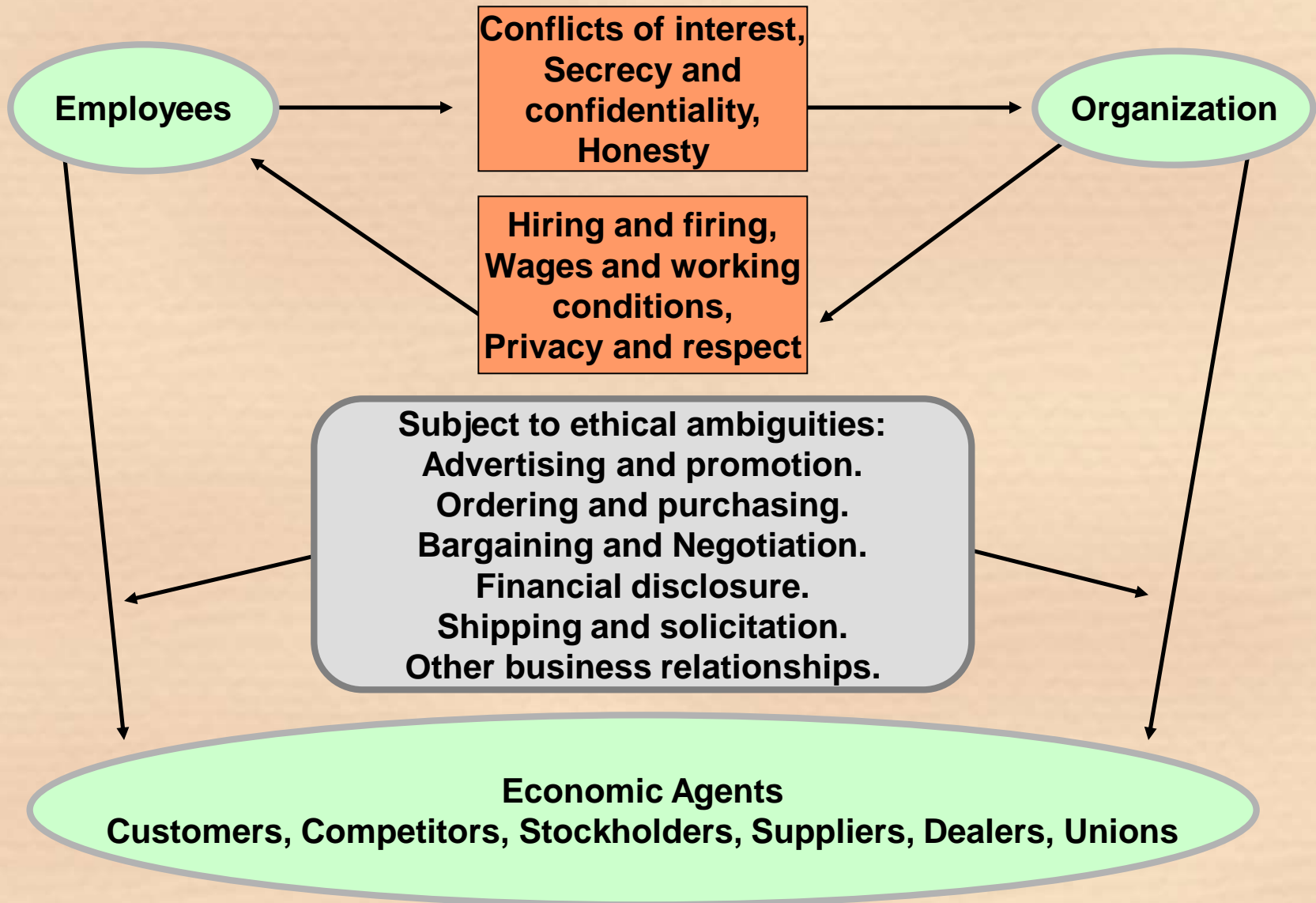
Managing Ethical Behavior

- Top management establishes the organization's culture and defines what will and will not be acceptable behavior.

- Code of ethics: a formal written statement of the values and ethical standards that guide a firm's actions.

Figure 4.2: A Guide for Ethical Decision Making

Data Gathering

A — Gather the facts concerning the act or policy

B — Is the act or policy acceptable according to the four ethical norms:
- *Utility*:
  Does it optimize the best for all constituencies?
- *Rights*:
  Does it respect the rights and duties of the individuals involved?
- *Justice*:
  Is it consistent with what is fair?
- *Caring*:
  Is it consistent with my responsibility to care?

Analysis

- No on all criteria
- No on one, two, or three criteria
- Yes on all criteria

C —
- Are there overriding factors?
- Is one criterion more important?
- Any incapacitating factors?
- Pass "double effect" test?

- No
- Yes

Judgment

- The act or policy is *not* ethical
- The act or policy *is* ethical

Managerial Ethics

Employees

Conflicts of interest, Secrecy and confidentiality, Honesty

Organization

Hiring and firing, Wages and working conditions, Privacy and respect

Subject to ethical ambiguities:
Advertising and promotion.
Ordering and purchasing.
Bargaining and Negotiation.
Financial disclosure.
Shipping and solicitation.
Other business relationships.

Economic Agents
Customers, Competitors, Stockholders, Suppliers, Dealers, Unions

Emerging Ethical Issues in Organizations

- Ethical leadership: since leaders serve as role models for others their very action is subject to scrutiny.

- Issues in Corporate Governance: insuring that the business is being properly managed and that the decisions made by its senior management are in the best interest of shareholders and stake holders.

Ethical Issues in Information Technology

- Online privacy has become an issue as companies sort out the ethical and management issues.

- Management can address this issue by posting privacy policies on the web.

- Medical and financial data can be reviewed and corrected.

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Social Responsibility

The set of obligations an organization has to protect and enhance the society in which it functions.

Areas of social responsibility:
- Stakeholders.
- The natural environment.
- Toward general social welfare.
- (see Figure 4.3)

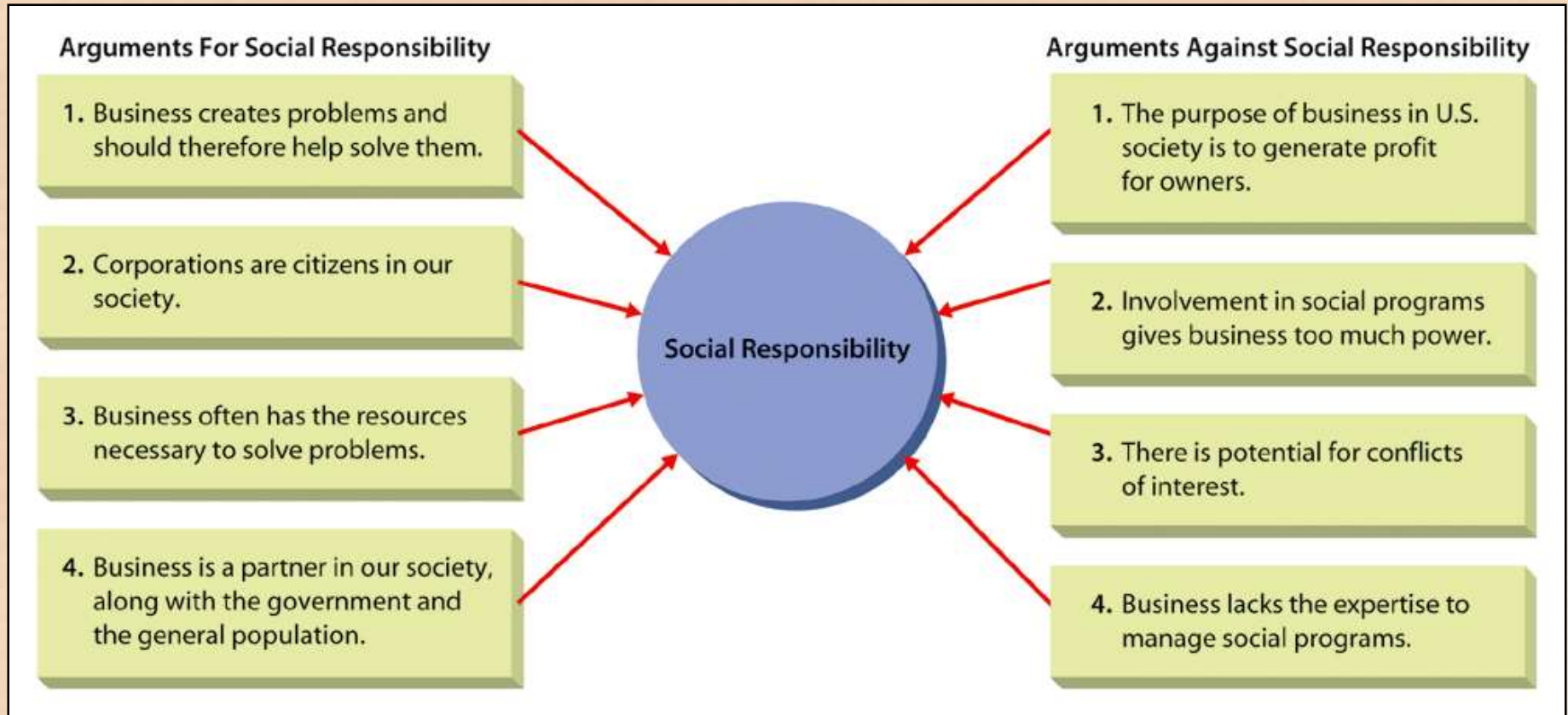# Figure 4.3: Organizational Stakeholders

Arguments For and Against Social Responsibility

- FOR: Because organizations create many of the problems, such as air and water solution and resource depletion, they should play a major role in solving them.

- AGAINST: Widening the interpretation of social responsibility will undermine the U.S. economy by detracting from basic mission of business. (see Figure 4.4)

Figure 4.4: Arguments For and Against Social Responsibility

Arguments For Social Responsibility

1. Business creates problems and should therefore help solve them.

2. Corporations are citizens in our society.

3. Business often has the resources necessary to solve problems.

4. Business is a partner in our society, along with the government and the general population.

Social Responsibility

Arguments Against Social Responsibility

1. The purpose of business in U.S. society is to generate profit for owners.

2. Involvement in social programs gives business too much power.

3. There is potential for conflicts of interest.

4. Business lacks the expertise to manage social programs.

Organizational Approaches to Social Responsibility

- Defensive stance, in which an organization does everything that is required of it legally but nothing more.

- Accommodative stance, in which an organization meets its legal and ethical obligations and also goes beyond these requirements in selected cases.

- Proactive stance, in which an organization views itself as a citizen in a society and proactively seeks opportunities to contribute to that society. (see Figure 4.5)

Figure 4.5: Approaches to Social Responsibility

Degree of Social Responsibility

Obstructionist stance — Defensive stance — Accommodative stance — Proactive stance

Lowest — Highest
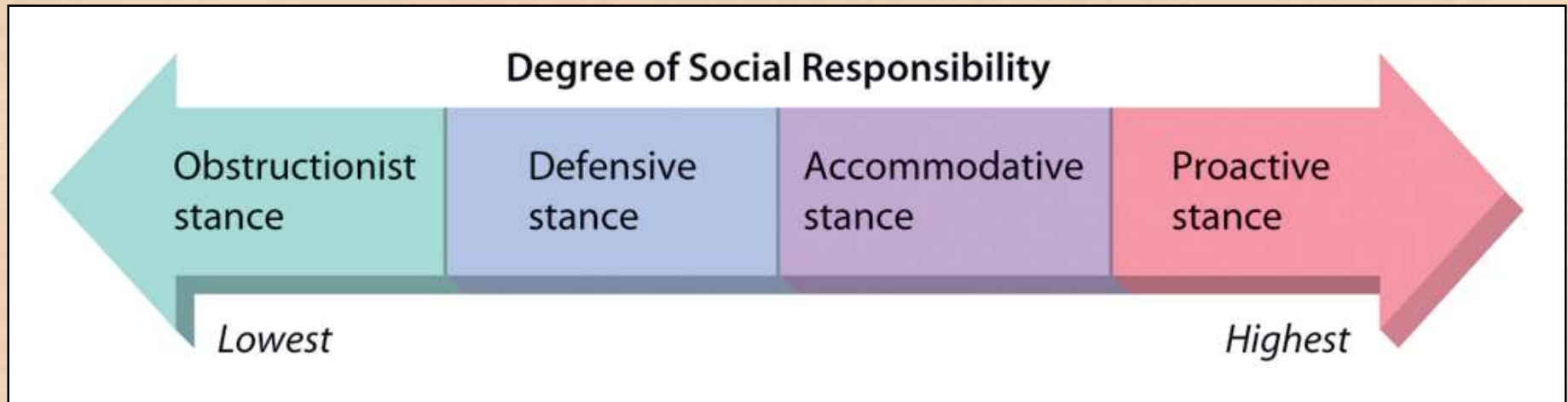
The Government and Social Responsibility

- Direct regulation: government attempts to influence business by establishing laws and rules that dictate what businesses can and cannot do in prescribed areas.

- Indirect regulation: the government can indirectly influence the social responsibility of organizations through its tax codes.
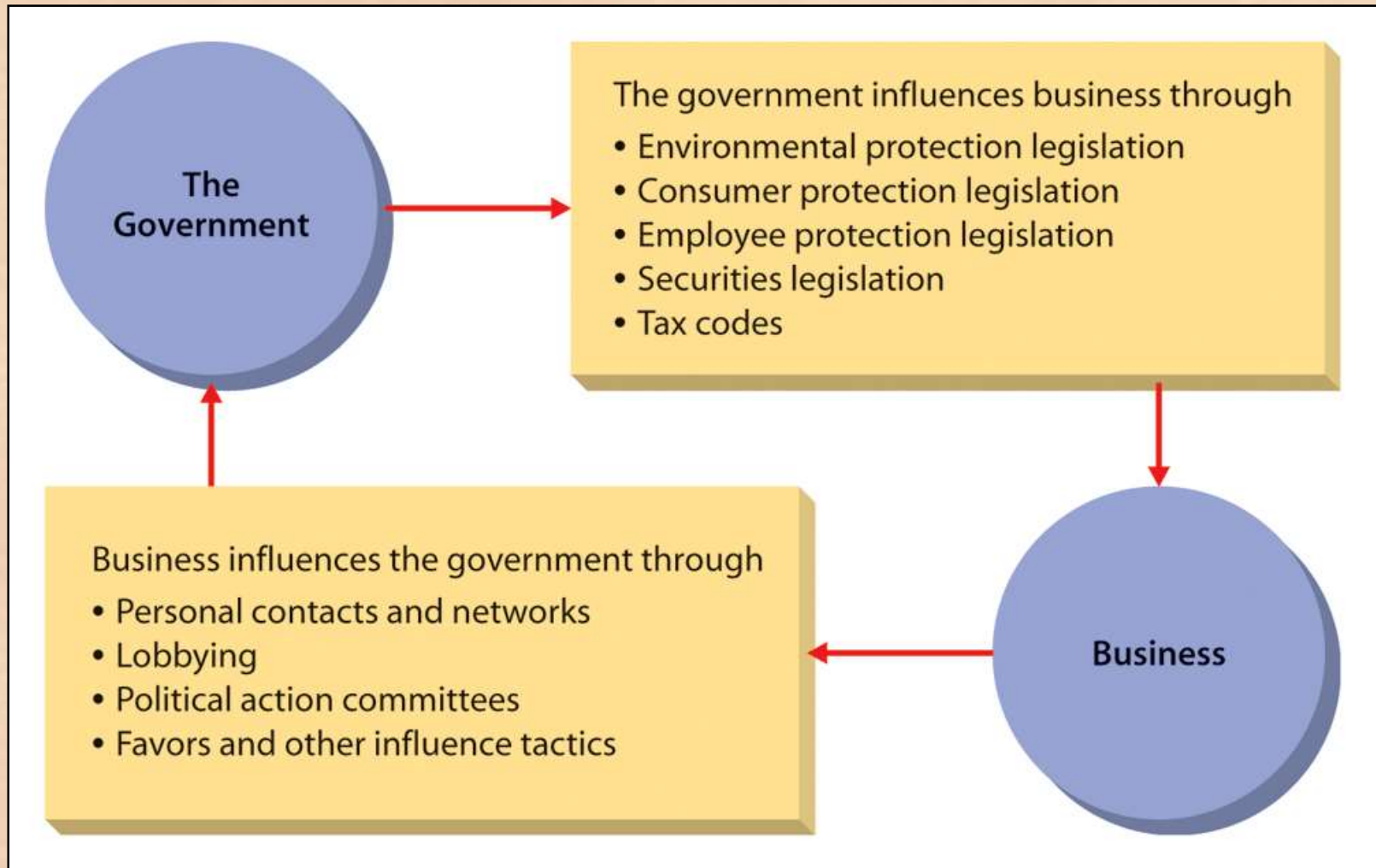
How Organizations Influence Government

- Personal contacts: political leaders and executives travel in the same circles and may be able to contact a politician directly.

- Lobbying: persons or groups to represent an organization formally.

- Political action committees: created to solicit and distribute money to political candidates.

- Favors: organizations sometimes rely on favors and other influence tactics to gain support. (see Figure 4.6)

Figure 4.6: How Business and the Government Influence Each Other

The Government

The government influences business through
- Environmental protection legislation
- Consumer protection legislation
- Employee protection legislation
- Securities legislation
- Tax codes

Business influences the government through
- Personal contacts and networks
- Lobbying
- Political action committees
- Favors and other influence tactics

Business

Managing Social Responsibility

- Legal compliance: the extent to which an organization complies with local, state, federal, and international laws.

- Ethical compliance: an organization and its members follow basic ethical (and legal) standards of behavior.

- Philanthropic giving: awarding of funds or gifts to charities or other social programs.

- Whistle-Blowing: the disclosure by an employee of illegal or unethical conduct on the part of others within the organization.

Evaluating Social Responsibility

- Corporate social audit: a formal and through analysis of the effectiveness of a firm's social performance.

Organizational Stakeholders

Creditors
Customers
Local community
Local government

State/federal government
Suppliers
Foreign government

The Organization

Colleges and universities
Courts
Owners/investors

Trade associations
Interest groups
Employees

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