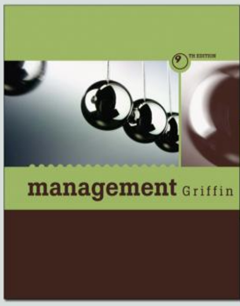

Chapter Four

The Ethical and Social Environment

Slide content created by Charlie Cook, The University of West Alabama

Learning Objectives

After studying this chapter, you should be able to:

1. Discuss managerial ethics, three areas of special ethical concern for managers, and how organizations manage ethical behavior.
2. Identify and summarize several emerging ethical issues in organizations today.
3. Discuss the concept of social responsibility, specify to whom or what an organization might be considered responsible, and describe four types of organizational approaches to social responsibility.
4. Explain the relationship between the government and organizations regarding social responsibility.
5. Describe some of the activities organizations may engage in to manage social responsibility.

Individual Ethics In Organizations

- Ethics
  - An individual's personal beliefs regarding what is right and wrong or good and bad.
- Ethical Behavior
  - "Eye of the beholder" or behavior that conforms to generally accepted social norms.
- Examples of Unethical Behavior
  - "Borrowing" office supplies for personal use, "Surfing the Net" on company time.
  - Filing falsified or inflated business expense reports.

Figure 4.1: Managerial Ethics

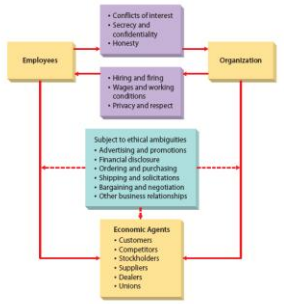

Figure 4.1
MANAGERIAL ETHICS
The three basic areas of concern for managerial ethics are the relationships of the firm to the employee, the employee to the firm, and the firm to other economic agents. Managers need to approach each set of relationships from an ethical and moral perspective.

Ethics in Organizations

Individual Values

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Organizational Values

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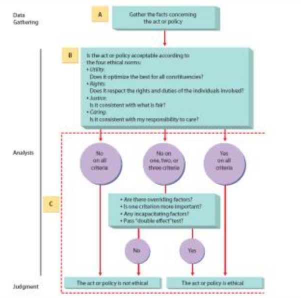
Managerial Values

Applying Ethical Judgments

- Model for deciding whether or not a particular action or decision is ethical
  - Gather relevant factual information.
  - Determine the most appropriate moral values.
  - Make a judgment.
- Ethical Norms Affecting Actions
  - Utility
  - Rights
  - Justice
  - Caring

Figure 4.2: A Guide for Ethical Decision Making



Source: Adapted from Gerald F. Cavanagh, Dennis J. Moberg, and Manuel Velasquez, "Making Business Ethics Practical," *Business Ethics Quarterly* (July 1995); and Manuel Velasquez, Gerald F. Cavanagh, and Dennis Moberg, "Organizational Statesmenship and Dirty Politics," *Organizational Dynamics* (Autumn, 1983), p. 84. Copyright 1983, with permission from Elsevier Science. Reprinted from Gerald F. Cavanagh, *American Business Values*, 4th Edition (Upper Saddle River, N.J.: Prentice-Hall, 1998). Reprinted by permission of Prentice-Hall, Inc.

Social Responsibility and Organizations

- Organizational Stakeholders
  - People and organizations directly affected by the behaviors of an organization and that have a stake in its performance.
- Social Responsibility
  - The set of obligations to behave responsibly.
- Areas of Social Responsibility
  - Stakeholders
  - The natural environment
  - The general social welfare

Figure 4.3: Organizational Stakeholders

Figure 4.3
ORGANIZATIONAL STAKEHOLDERS
All organizations have a variety of stakeholders who are directly affected by the organization and who have a stake in its performance. These are people and organizations to whom an organization should be responsible.

Figure 4.4: Arguments for and Against Social Responsibility

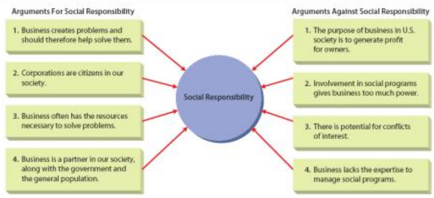


Figure 4.4
ARGUMENTS FOR AND AGAINST SOCIAL RESPONSIBILITY
While many people want everyone to see social responsibility as a desirable aim, there are several strong arguments that can be used both for and against social responsibility. Hence, organizations and their managers should carefully assess their own values, beliefs, and priorities when deciding which stance and approach to take regarding social responsibility.

 4–10

Figure 4.5: Approaches to Social Responsibility

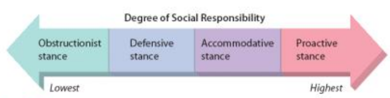


Figure 4.5
APPROACHES TO SOCIAL RESPONSIBILITY
Organizations can adopt a variety of approaches to social responsibility. For example, a firm that never considers the consequences of its decisions and tries to hide its transgressions is taking an obstructionist stance. At the other extreme, a firm that actively seeks to identify areas where it can help society is pursuing a proactive stance toward social responsibility.

 4–11

Approaches to Social Responsibility (cont'd)

- Obstructionist Stance
  - Do as little as possible
- Defensive Stance
  - Do only what is legally required and nothing more.
- Accommodative Stance
  - Meet legal and ethical obligations and go beyond that in selected cases.
- Proactive Stance
  - Organization views itself as a citizen and proactively seeks opportunities to contribute to society.

 4–12

Figure 4.6: How Business and the Government Influence Each Other

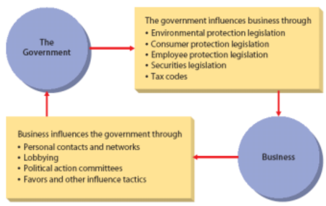


Figure 4.6
HOW BUSINESS AND THE GOVERNMENT INFLUENCE EACH OTHER
Business and the government influence each other in a variety of ways. Government influence can be direct or indirect. Business influence relies on personal contacts, lobbying, political action committees (PACs), and favors. Federal Express, for example, has a very active PAC.

Managing Social Responsibility: Formal Organizational Dimensions

- Legal Compliance
  - Extent to which the organization conforms to local, state, federal, and international laws.
- Ethical Compliance
  - Extent to which members of the organization follow basic ethical/legal standards of behavior.
- Philanthropic Giving
  - Awarding of funds or gifts to charities and other social programs.

Managing Social Responsibility: Informal Organizational Dimensions

- Organization Leadership and Culture
  - Leadership practices and the culture of the organization can help define the social responsibility stance an organization and its members will adopt.
- Whistle Blowing
  - The organizational response to the disclosure by an employee of illegal or unethical conduct on the part of others within the organization is indicative of the organization’s stance on social responsibility.

Evaluating Social Responsibility

- Concept of Control
  - Evaluating responses to questionable legal or ethical conduct
    - Initiate an immediate follow-up response to events?
    - Seek punishment for those involved?
    - Engage in delay or cover-up tactics?
  - Corporate Social Audit
    - Analysis of the effectiveness of social performance conducted by a task force of high-level managers from within the firm.
    - Requires the organization to clearly define its social goals, analyze resources, determine how well goals are being met, and make recommendations for areas needing attention.

Key Terms

- unethical behavior
- managerial ethics
- code of ethics
- Sarbanes-Oxley Act of 2002
- social responsibility
- organizational stakeholder
- obstructionist stance
- defensive stance
- accommodative stance
- proactive stance
- regulation
- lobbying
- legal compliance
- ethical compliance
- philanthropic giving
- whistle blowing
- corporate social audit