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Chapter 2 Business Ethics and Social Responsibility

OBJECTIVES

1. Define business ethics and social responsibility, and examine their importance in business.
2. Detect some of the ethical issues that may arise in business.
3. Specify how businesses can promote ethical behavior.
4. Explain the four dimensions of social responsibility.
5. Debate an organization's social responsibilities to owners, employees, consumers, the environment and the community.

KEY TERMS AND DEFINITIONS

bribes	Payments, gifts, or special favors intended to influence the outcome of a decision.
business ethics	The principles and standards that determine acceptable conduct in business.
codes of ethics	Formalized rules and standards that describe what a company expects of its employees.
consumerism	The activities that independent individuals, groups, and organizations undertake to protect their rights as consumers.
corporate citizenship	The extent to which businesses meet the legal, ethical, economic, and voluntary responsibilities placed on them by their stakeholders.
ethical issue	An identifiable problem, situation, or opportunity that requires a person to choose from among several actions that may be evaluated as right or wrong, ethical or unethical.
plagiarism	The act of taking someone else's work and presenting it as your own without mentioning the source.
social responsibility	A business's obligation to maximize its positive impact and minimize its negative impact on society.
whistleblowing	The act of an employee exposing an employer's wrongdoing to outsiders, such as the media or government regulatory agencies.

LECTURE OUTLINE AND NOTES

I. Business Ethics and Social Responsibility

A. **Business ethics** refers to the principles and standards that determine acceptable conduct in business organizations.

B. The acceptability of business behaviors is determined by customers,

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competitors, government regulators, interest groups, and the public, as well as each

C. individual's personal principles and values.
D. **Social responsibility** refers to a business's obligation to maximize its positive impact and minimize its negative impact on society.
E. The terms social responsibility and business ethics are not interchangeable: business ethics refers to an individual's or work group's decisions that society evaluates as right or wrong, whereas social responsibility is a broader concept that concerns the impact of the entire business's activities on society.
F. The most basic ethical and social responsibility concerns have been codified as laws and regulations that encourage businesses to conform to society's standards, values, and attitudes.
    1. Most legal issues arise as choices that society deems unethical, irresponsible, or otherwise unacceptable.
    2. All actions deemed unethical are not necessarily illegal, and both legal and ethical concerns change over time.
    3. Business ethics, social responsibility, and laws together act as a compliance system requiring that businesses and employees act responsibly in society.

I. The Role of Ethics in Business
1. If society judges an action to be unethical or wrong, whether correctly or not, that judgment directly affects an organization's ability to achieve its goals.
2. Well-publicized incidents of unethical and illegal activity strengthen the public's perceptions that ethical standards and the level of trust in business need to be raised.
    1. Charges of misconduct often start as ethical conflicts but evolve into legal disputes when cooperative conflict resolution cannot be accomplished.
    2. Many activities deemed unethical by society have been outlawed through legislation.
3. Business ethics goes beyond legal issues, and ethical conduct builds trust among individuals and business relationships.
4. Ethical issues are not limited to for-profit organizations; they also occur in government, science, sports, and nonprofit organizations.

II. Recognizing Ethical Issues in Business
1. An **ethical issue** is an identifiable problem, situation, or opportunity that requires a person or organization to choose from several actions that may be evaluated as right or wrong, ethical or unethical.
    a. In business, such choice often involves weighing monetary profit against what a person considers appropriate conduct.
    b. A person often needs several years of experience in business to understand what is acceptable or ethical.
    c. Ethics is related to the culture in which a business operates.

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   d. Many ethical issues involve abusive and intimidating behavior, conflicts of interest, fairness and honesty, communications, and business associations.
2. Bullying
   a. Abusive and/or intimidating behavior in the workplace in the most common ethical problem for employees
   b. Goes beyond yelling and insults to discrediting other's behavior; blocking communications; taking credit for other's work; using demeaning spoken or body language
3. Conflict of Interest
   a. Conflicts of interest exist when a person must choose whether to advance the interest of the business or his or her own interests.
   b. To avoid conflicts of interest, employees must be able to separate their personal financial interests from their business dealings.
   c. **Bribes** are payments, gifts, or special favors intended to influence the outcome of a decision. A bribe is a conflict of interest because it benefits an individual at the expense of an organization or society.

4. Fairness and Honesty
   a. Fairness and honesty are at the heart of business ethics, and relate to the general values of decision makers.
   b. Businesspeople are expected not only to obey to the law, but also not to harm customers, employees, or competitors through deception, misrepresentation, coercion, or discrimination.
   c. Fairness to competitors and disclosure of potential harm caused by product use are some aspects of fairness.

5. Communications
   a. False and misleading advertising and deceptive selling tactics anger customers and can lead to business failure.
   b. Some manufacturers fail to provide enough information for consumers about differences between products or product safety.
   c. Product labeling may raise ethical concerns and questions about basic rights of freedom of speech and expression.

6. Plagiarism
   a. Taking someone else's work and presenting it as your own
   b. A widespread ethical issue

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7. Making Decisions About Ethical Issues
   a. A decision maker in business may have difficulty recognizing ethical issues, and managers tend to be more concerned about issues that affect those close to them or have immediate rather than long-term consequences.
   b. Open discussion of ethical issues does help to promote trust and openness.

III. Improving Ethical Behavior in Business

1. Ethical decisions in an organization are influenced by three key factors: individual moral standards, the influence of managers and coworkers, and the opportunity to engage in misconduct.
   a. Co-workers and superiors exert significant control over individual choices at work through authority and example.
   b. If the company fails to provide good examples and standards and policies for appropriate conduct, conflict may develop and employees may base decisions on how their peers and superiors behave.
2. **Codes of ethics** are formalized rules and standards that describe what a company expects of its employees.
   a. Codes of ethics do not have to be overly detailed but they should provide guidelines and principles that can help employees achieve objectives and address risks in an acceptable and legal way.
   b. Codes of ethics, policies on ethics, and ethics training programs advance ethical behavior because they prescribe which activities are acceptable and which are not, and they limit the opportunity for misconduct by providing punishments for violations of standards and rules.
3. Ethics programs should include a means through which employees can report observed misconduct anonymously.
4. Lack of anonymous reporting mechanisms may encourage **whistleblowing,** which occurs when an employee exposes an employer's wrongdoing to outsiders, such as the media or government regulatory agencies. Businesses are encouraging employees to report illegal and unethical practices internally so they can take steps to remedy problems before they result in legal action or negative publicity.
5. The current trend is to move away from legally based initiatives in organizations to cultural- or integrity-based initiatives that make ethics a part of core organizational values.

IV. IV. The Nature of Social Responsibility

A. There are four dimensions of social responsibility: economic, legal, ethical, and voluntary.
B. Economic responsibility means earning profits.

a. Legal responsibility means complying with the law.
b. Voluntary responsibilities are non-required activities that promote human welfare or goodwill.

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C. **Corporate citizenship** is the extent to which businesses meet the legal, ethical, economic, and voluntary responsibilities placed on them by their stakeholders.

V. Although the concept of social responsibility is receiving more and more attention, it is still not universally accepted.

A. Social Responsibility Issues
   1. Relations with Owners and Stockholders
      a. Businesses must be responsible to their owners who are primarily concerned with earning a profit or a return on investment in a company.
      b. This responsibility is more easily fulfilled in small businesses than in large businesses.
      c. A business's responsibility to its owners and investors includes maintaining proper accounting procedures, providing all relevant information, protecting the owners' rights and investments, and maximizing the owners' investment in the firm.
   2. Employee Relations
      a. Employees expect businesses to provide them a safe workplace, to pay them adequately for their work, and to tell them what is happening in their company.
      b. Many of the laws regulating safety in the workplace are enforced by the Occupational Safety and Health Administration (OSHA).
      c. Labor unions have also made significant contributions to achieving safety in the workplace and improving wages and benefits.
      d. A major social responsibility for business is providing equal opportunities for all employees regardless of sex, age, race, religion, or nationality.
   3. Consumer Relations
      a. **Consumerism** involves the activities that independent individuals, groups, and organizations undertake to protect their rights as consumers. Consumer activities include writing letters to companies, lobbying government agencies, making public service announcements, and boycotting companies.
      b. *The right to be informed* gives consumers the freedom to review complete information about a product before they buy it.
      c. *The right to choose* ensures that consumers have access to a variety of products and services at competitive prices.
   4. Environmental Issues. Environmental responsibility has become a leading issue as businesses and the public acknowledge the damage done to the environment in the past.
      a. Animal rights are an environmental issue concerned with the testing of cosmetics and drugs on animals.
      b. Pollution
         1) Water pollution results from the dumping of contaminants into water resources and the burial of waste and contaminants in the ground,

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2) affecting underground water supplies.
3) Air pollution is the contamination of the air by smoke, manufacturing pollutants, carbon monoxide, and hydrocarbons emitted by motor vehicles. Acid rain is a byproduct of air pollution.
4) Land pollution—which is tied directly to water pollution because many of the contaminants dumped on the land work their way into the water supply—results from the dumping of residential and industrial waste, strip mining, forest fires, and poor forest conservation.

c. Response to Environmental Issues
1) Partly in response to federal legislation such as the National Environmental Policy Act of 1969 and partly due to consumer concerns, businesses are responding to environmental issues by trying to eliminate wasteful practices and harmful chemicals, using "green" power sources, and recycling.
2) Efforts to make products, packaging, and processes more environmentally friendly have been labeled "green" business or marketing by the public and media.
3) Businesses and consumers must weigh the costs of being environmentally responsible against the health threat posed by pollution.

5. Community Relations
a. The most common way in which businesses exercise their community responsibility is through donations to local and national charitable organizations.
b. Many companies have become concerned about the quality of education in the Canada. Thus, they donate funds, equipment, and time to help schools and provide scholarship money.
c. Business is also taking more responsibility for the hard-core unemployed.

BOXED TEXT DISCUSSION QUESTIONS

OPENING CASE DESTINATION CEO DISCUSSION QUESTIONS

1. The Keystone Project has been in the news for the past few years. Prior to reading the opening case what was your opinion and knowledge of the issues at hand. After reading the case do you think TransCanada Corp has acted ethically throughout the process?

Answers will vary, students should be able to defend their answers.

2. TransCanada Corp has been relying on facts to argue the merits of Keystone XL while many opponents have been making emotional arguments. What are some of the advantages and disadvantaged of TransCanada's approach.

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Answers will vary, students should be able to defend their answers. Students may note that by only sticking to the facts Trans Canada is allowing others to make an emotional appeal witch is enabling them to be successful in stopping the pipeline.

3. Given what you have read in the opening case do you think Keystone XL will be approved for development?

Answers will vary, students should be able to defend their answers. Students should note that the pipeline has many factors in its favour including the creation of jobs, economic spinoffs and the high demand for oil in the U.S. Others may state that public opinion is so strong against the pipeline it is unlikely to be built.

Consider the Following: The Occupy Movement

1. Some people in the Occupy Movement argued the practice of business itself is unethical. Do you agree or disagree?

Answers will vary.

2. Do you think law enforcement agencies were right to tear down camps? Why or why not?

Answers will vary. Students may note that the protestors were peacful and in Canada you have a right to protest. Others may note that the camps were becoming unsanitary and the protestors were using public land keeping it from public use.

3. Some protestors fought back when police officers came to evict them from their camps inlcuding physically confronting officers and throwing objects. Do you think protestors were acting ethically? Why or why not?

Answers will vary.

4. Do you think minimum wage should be raised in your province? Why or why not? What are some of the potential pros and cons of setting a higher minimum wage?

Answers will vary. Students may note that this will enable people a higher standard of living. One negative point which may arise is the extra cost for companies which may negatively impact employment rates.

The Case of Valeant Pharmaceuticals

1. Is Valeant Pharmaceuticals an ethical company? Why or why not? Would you invest in the company based on its business model?

Answers will vary. Students may note that it may not be considered socially responsible behavior to significantly increase the price of drugs which people need.

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2. Do you think governments should regulate the prices that companies can charge for drugs? Why or why not?

Answers will vary.

3. What are some of the arguments for charging high drug prices?

Answers will vary. Students may note developing drugs can take a significant amount of time and resources.

4. The discussions about Valeant and ethics are likely to continue for years to come. Use Internet resources to review the current state of the company and whether any governments have started to regulate their pricing practices. Update the class on what you have found.

Answers will vary.

Consider the Following: Are Social Media Sites Fair Game for Employees

1. In a recent survey, 40 percent of employers admitted to visiting social media sites to pre-screen applicants who are applying for a job. Of the employers who pre-screen candidates, over 70 percent of them will not allow prospective applicants to explain questionable behaviour they see online. These companies simply remove the person from the pool of candidates they are considering for a job. While most people know that having pictures of yourself engaging in illegal activity is likely not a good idea for your Facebook page, employers are going even further than quickly reviewing photos. Many businesses are reading people's online posts to pre-determine if they have a good attitude and are friendly. Do you think it's ethical for companies to screen potential employees by viewing their social media sites such as Facebook, Twitter, and Instagram? Why or why not?

Answers will vary, students may mention that opinions differ on whether information posted on social media sites are considered public or private domain. Some students will believe that such information is public domain and to monitor and use such information is fair practice, while others may believe that such information should be regarded as private by employers as its is not intended for their use.

2. Tom comes to work and looks exhausted during a presentation he is giving to clients. Tom's boss later visits Tom's Facebook page where she discovers he was out partying the night before the presentation. How should she handle the situation? Should she have visited Tom's profile to determine what he was doing the day before the presentation? Why or why not?

Answers will vary. Students may mention that while people using social media sites know for whom their content is intended, it is easily accessible by the general public , including employers/potential employers. If information posted is potentially damaging to a career or potential employment, an individual needs to take into consideration who could access this information, and how could it affect my career opportunities either today, or in the future. Students may also mention that Tom has the option to increase his privacy settings so that only selected "friends" can view his Facebook page and its contents.

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3. A salesperson comes back from a tropical vacation. On her Facebook page she creates a link to pictures with the title, "Close friends only! My vacation pics." In order to see the vacation pics you have to click on the link. Her employer logs onto Facebook and visits the salesperson's profile. She notices the link and clicks on it to view the pictures. She is outraged by the apparent lack of judgement by one of her employees in engaging in questionable behaviour and then posting the pictures of the behaviour online. Was it right for her to view the pictures? Would it be right for her to discipline the employee?

Answers will vary, but students must be able to defend their answers.

4. An employee notes on his Facebook page that his boss is an idiot. The boss finds out about this through the office grapevine. How should the boss handle the information?

Answers will vary, but students may mention that in this case, the boss did not log onto the employees Facebook page to find this information. The comment was passed employee to employee by the age-old office grapevine. The employee must realize that posting such a comment online is equivalent to saying

Consider the Following: When is Organic Really Organic

1. Do you think the Canadian Food Inspection Agency is doing enough to ensure foods labeled as organic are actually organic?

Answers will vary, but students must be able to defend their answers.

2. Would you trust producers not to use pesticides in their operations? Why or why not?

Answers will vary, but students must be able to defend their answers.

3. Do you think consumers would be willing to pay more for organic food if there was a testing program in place that ensured the food truly was organic? Why or why not?

Answers will vary, but students must be able to defend their answers. Some students may argue that organic food is already expensive and it may be priced out of the reach of the average consumer. Others may argue that there is a market for food that is truly organic and consumers appear to be willing to pay a premium for these products.

Determining Ethical Behaviour: The Case of Uber in Canada

1. In your opinion, are ride-sharing services like Uber ethical or unethical? Why?

Answers will vary, but students must be able to defend their answers.

2. Do you think all businesses should follow the same rules? Why or why not?

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Answers will vary, but students must be able to defend their answers.

3. What are the implications of Uber being considered illegal in Canada? Should Uber riders be charged with a fine for using the service?

Answers will vary, students should discuss the lack of regulations, the concerns with insurance and if governments should upregulate the taxi industry.

4. Do you prefer to have some choice in using a taxi or a ride sharing service? Why?

Answers will vary, but students must be able to defend their answers.

5. Uber is currently in discussions with Intact, one of Canada's largest insurance companies, to create ride-sharing insurance. If the insurance is created, should governments allow Uber to operate as is? Why or why not?

Answers will vary, but students must be able to defend their answers.

What is Ethical When Bribes are the Norm?

1. Do you think it is ethical to pay a bribe in a country where it is a cultural norm? Why or why not?

Answers will vary, students should be able to defend their answers. Some students may note that if something is illegal it unethical. Others may mention that Canadian companies have to do what they can in order to ensure success when operating in international countries.

2. Do you think 'facilitation payments' should be considered bribes? If you ran a company in a country where these payments were the norm would you pay them?

Answers will vary, students should be able to defend their answers.

3. Do you think Canada's legal system should be investigating crimes such as bribes which occur in other countries? Why or why not?

Answers will vary, students should be able to defend their answers.

Is Helping People Download Music and Videos Wrong?

1. Do you think it is ethical to download music, video and software? Why or why not?

Answers will vary, students should be able to defend their answers.

2. Do you think Fung should be penalized for operating a website which helps facilitate the downloading of music, videos and software?

Answers will vary, students should be able to defend their answers. Students may compare Fung's site to Google and argue it crosses a line or it is the same as Google and Fung is doing nothing wrong.

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3. In your opinion, is Fung's argument that the site is similar to Google, Bing, or other search engines a fair one to make? Why or why not

Answers will vary, but students must be able to defend their answers.

Consider the Following: Is Facebook Acting Ethically by Making Billions off Your Personal Information?

1. Do you think people are aware of the amount of personal information being collected by Facebook? Will awareness hurt the company's business model? Why or why not?

Answers will vary, but students must be able to defend their answers.

2. Do you think it's ethical for Facebook to collect and sell personal information of its roughly 1.5 billion users? Why or why not?

Answers will vary, but students must be able to defend their answers.

3. Facebook originally stated it would not combine the personal information from Facebook and Instagram to create even more detailed user profiles. After a brief period, Facebook have gone back on their word and started to combine user profiles. Is this ethical? Why or why not?

Answers will vary, but students must be able to defend their answers.

Nestlé's Commitment to Africa

1 .Do you think that Nestlé's socially responsible activities today have made up for possible mistakes involving infant formula in the past?

Answers will vary, students may mention that Nestle is committed, in a wide variety of ways, to helping people in Africa lead high-quality, healthy lives. Whatever possible mistakes have been made in the past, Nestle appears to be a company learning from past mistakes, working to better the lives of not only their more than 11,000 native African employees, but also those of approximately 50,000 other Africans whose employers work directly with Nestle.

2. What has Nestle done to improve its image in Africa?

Nestle is committed to improving the labour standards of farming, promoting African products, preserving water, creating less waste, and offering nutritional education. They work to help local farmers improve the quality of their crops and often their incomes. They contribute to the United Nations' Millennium Development Goals to wipe out extreme poverty and hunger; ensure universal primary education; promote gender equality and empower women; reduce child mortality; improving maternal health; fight AIDS/HIV, malaria, and other diseases; work toward environmental sustainability.

3. What can Nestle do to improve its commitment to Africa?

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Answers will vary, but students may mention some of the following:

In a July 2010 press release, Nestle announced it was investing CHF 150 million in the Equatorial African Region over the next three years, building new factories in 3 African countries, significantly expanding its existing factories in 2 others, and opening 13 new distribution facilities. Nestlé will more than double its work force and create 750 new jobs in Equatorial Africa by 2013.

"Nestlé has signed a partnership with the East African Dairy Development Board to help stakeholders across the entire value chain, from farm to factory, to bring the milk to desired standards. Some 179,000 farmers are involved in this programme.

Nestlé is preparing the launch of its Global Healthy Kids Programme which aims to improve the nutrition, health and wellness of school children through better nutrition, greater physical activity, and other key health measures such as hygiene and sanitation.

Nestlé sponsored a women's entrepreneurship program. The New Hope Project is aimed at developing entrepreneurial skills of women in rural DRC and providing them with the opportunity to establish small businesses selling Nestlé's products."

Source: www.**nestle**.com/.../**NestleDo**cuments/.../EAR-Press-Release-250610.pdf

Consider the Following: Canada, the Counterfeiters' Safe Haven

1 Do you think the border patrol should seize products which they know are counterfeit? Why or why not?

Answers will vary, students should be able to defend their answers.

2. Is manufacturing products under another company's label unethical? Should it be considered illegal?

Answers will vary, students should be able to defend their answers.

3. Some Canadian companies such as Canada Goose is investing both time and money trying to fight knock off versions of their products. Should companies bother to do this? Why or why not?

Answers will vary, students should be able to defend their answers. Some students may state it could become costly and most people know the difference between a fake and real product. Other students may note that companies have to try to stop counterfeiting in order to defend their brand.

Consider the Following: Are Energy Drinks Safe?

1. Do you think government should prevent the sale of these drinks to people under the age of 19? Why or why not?

Answers will vary, students should be able to defend their answers.

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2. Do you think warning labels should be placed on the drinks based on what energy drink makers say is limited evidence? Why or why not?

Answers will vary, students should be able to defend their answers.

Fracking for Natural Gas: Clean Energy Solution or Environmental Catastrophe?

1. What is the ethical issue involved with fracking, and why is it so hard to resolve?

Answers may vary. Students should note that some people are concerned about the impact on the environment. Students should also discuss that fracking has proven to be relatively safe and there are significant economic benefits which can result from fracking.

2. Examine this issue from the perspective of the gas company as well as from the perspective of concerned stakeholders.

The position of the gas companies is fracking has proven to be safe and can offer economic benefits. The position of concerned citizens is that the long term effects remain unknown and there has been problems and accidents in the past.

3. Why might a government ban fracking when science appears to indicate it can be safely done?

Answers may vary.

4. Do you think it is fair for some provinces to ban fracking yet turn around and take money from other provinces who allow for fracking?

Answers will vary, but students must be able to defend their answers.

5. Use Internet resources and find additional arguments for and against fracking. Present the findings to the class.

Answers may vary.

BP Disaster Leads to Questions About Ethics and Social Responsibility

1. Are BP's attempts at compensation enough to change the company's reputation in the eyes of consumers?

Answers will vary, students should be able to defend their answers.

2. What are the ethical considerations that BP failed to recognize in its management of risks?

Answers will vary, students should be able to defend their answers.

3. How important is BP's reputation for business success?

Answers will vary, students should be able to defend their answers.

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Bailouts - Automakers vs. Nortel

1. What are some of the potential pitfalls with bailouts? Do you think the government is acting ethically when they spend taxpayers' dollars on bailouts? Why or why not?

Answers will vary, students may mention that the auto companies asked the government to give them $3 million in order to maintain operations and save more than 10,000 jobs, but all 3 companies are hampered by high wages and continue to suffer from a significant pension shortfall. They ignored what consumers were looking for in a new car and continued to lose market share. No amount of government money is going to fix these problems.

2. Do you think Ford, General Motors and Chrysler will survive in the coming years?

Answers will vary, students may mention that management of the 3 auto manufacturers has attempted to lower costs by renegotiating contracts with labour unions, reducing the number of cars that they manufacture and are focusing on building the fuel-efficient cars that consumers want. It appears as though they are trying to establish more sustainable practices that may ensure their future.

3. Does the government have an ethical obligation to invest in Nortel for the betterment of Canada's scientific community?

Answers will vary, students may mention that while the Canadian government did not provide Nortel with the funding to remain in business, upon bankruptcy, their assets were auctioned off, including the rights to their next-generation LTE wireless technology to a Swedish company. If this company chooses to continue with research on this technology, the global scientific community can still benefit from Nortel's research.

CASE: Social Media and Privacy

1. Do you think employers should look at people's social media pages as part of the hiring process? Do you think employers should monitor employee's social media sites?

Answer will vary, students may note that screening a person's social media site is a good business decision especially for employees who will publicly represent the company. Others may argue that this is unethical and people's social media sites should not be subject to such scrutiny.

2. Who is responsible for privacy on social media sites — the person who posts the information or the person who visits the site?

Answer will vary, students may mention that while people using social media sites know for whom their content is intended, it is easily accessible by the general public , including employers/potential employers. If information posted is potentially damaging to a career or potential employment, an individual needs to take into consideration who could access this information, and how could it affect my career opportunities either today, or in the future.

3. Facebook, Twitter, and LinkedIn are valuable business tools. List some of the

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advantages and disadvantages that social media offers to: (1) students looking for a job; (2) businesses that are trying to market their products; (3) charities that are raising money.

	Advantages of Social Media	Disadvantages of Social Media
1. students looking for a job	- ability to create new contacts for networking purposes -ability to connect with a person within a company directly (perhaps someone in HR) - use Twitter to follow a company, gaining useful knowledge about how the company works. - designing your own Facebook/ Twitter profile to be attractive to potential employers. -Recruiters are starting to use LinkedIn as the main place for sourcing candidates because it's free and the top professionals are on there (Source: http://mashable.com/2009/01/05/job-search-secrets/).	- private information posted on such sites may be viewed by potential employers (even if you consider it private and believe it should be treated as private information) - even if you sensor what information you post on your own site, it is hard to undertake damage control when you are dealing with what others post about you and your good name might be soiled within hours (source: http://ezinearticles.com/?Disadvantages-of-Social-Media&id=3026858).
2. businesses that are trying to market their products	- free advertising that has a potentially huge, global audience. - when someone on Facebook clicks on the icon "Like this" product, others can see this and may then click on the icon to redirect them to the product's Facebook page where they may then have the option to either purchase the product or also click on the "like this" icon, thus spreading interest of the product to others. - Social Media Networking is perfect for customer interaction, customer feedback, and customer support (source: http://www.socialmediastrategy.co.za/index.php/social-networking/what-are-some-advantages-and-disadvantages-of-social-media-networking/). - potential for relationship management, product development, reputation management, and community building.	- constant site updates may be time consuming for owners. - If you intend to build a brand and a name through social media, you must be ready to spend time updating your audience on all the relevant issues. Once you become established, you will tend to have a bigger crowd and it can be difficult to meet the needs of all people increasing you labor greatly (source: http://ezinearticles.com/?Disadvantages-of-Social-Media&id=3026858).
3. charities that are raising money	- ability to get your message to a large audience quickly. - the best advertising always has been word of mouth and social media sites generate discussion. - can redirect people to webpage where they can donate money directly - can advertise a charity event -when someone on Facebook clicks on the icon "Like this" charity, others can see this and may then click on the icon to redirect them to the charity's Facebook page where they may then	- constant site updates may be time consuming.

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	have the option to either donate money or also click on the "like this" icon, thus spreading the news of the charity to others.	

SUPPLEMENTAL LECTURE

Recycling: A Dilemma for Business Firms

In Canada, the amount of consumer and industrial waste has been increasing regularly. It is expected that by the year 2010, total municipal solid waste will be 250 million tons. Ecological authorities frequently tout recycling as a means of slowing down waste and the need for landfill space. Biodegradable products, those which decompose, are also recommended.

As more companies strive to be ecologically responsible and appeal to consumers by offering "green" products, some have come to believe that such programs may actually be economically profitable. 3M believes that developing environmentally safe products is profitable. Since consumers favor these products, the company implements pollution restrictions ahead of regulatory mandates. One example of 3M's actions has been to make toilet-bowl brushes from the leftover plastic fibers used in making Scotch-Brite cleaning cloths. Levi Strauss & Co. is also moving forward with a number of ecologically friendly products. Among them is a new line of clothing made of recycled beverage containers.

Other companies, including McDonald's, have advertised the use of recycled paper for take-out bags. Major retailers such as Wal-Mart and Kroger have provided recycling centers for paper, plastics, and aluminum. Unfortunately, several recycling centers begun by major business firms have been discontinued for two primary reasons: (1) the lack of a market for recycled products and (2) the cost of maintaining the recycling centers. For example, one manager of a major retailing firm pointed out that people used the recycling bins to dispose of all kinds of unwanted trash and garbage, disregarding the specific types of materials to be placed in the bins. Every morning, employees had to clean the parking lot of debris from the recycling bins. People would toss in glass, metal, cloth, and garbage in plastic sacks—materials not to be deposited in the recycling bins.

Except for aluminum, the market for recycled products appears to be minimal. For example, there is not enough demand for used newsprint to utilize all the newspapers and paper available (however, demand for used newsprint is now increasing). Although many paper products advertise that they are produced with recycled paper, the question is whether consumers will pay more for recycled products or buy those products simply because they have been recycled.

Some cities, concerned about the declining amount of landfill space, have introduced recycling for trash and garbage pickup. Those municipalities, as in the case of individual business firms, need an outlet for materials saved for recycling. Sorting is a requirement for municipal recycling—whether done by each household or by specialized sorting equipment.

Two trends may lead to increased recycling by consumers and business firms. One trend is charging for nonrecyclable garbage. For example, some municipalities refuse to pick up nonrecycled trash and garbage, forcing households to hire private firms to pick up nonrecycled items. Another trend is through regulation that requires recycling, such as the German Green Point Law, which requires manufacturers to assume responsibility for the disposal of their packaging.

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When consumers and business firms find it is in their economic interests to recycle, then perhaps producers will find ways to use recycled products. For example, Pitney Bowes of Canada Ltd. sells copiers with reusable toner cartridges. Thermo Tech Technologies Inc., another Canadian company, uses a patented technology to turn organic wastes into animal feed supplements or fertilizers.

Technology also has many innovative uses proposed for recycled plastics—some as reformulated plastics, others as insulation or building materials. Biodegradability is the main problem with plastics. For example, a few disposable diaper and garbage bag manufacturers have products that are biodegradable.

Perhaps the material recycled most successfully is aluminum. The price for recycled aluminum encourages individuals to save or retrieve aluminum cans. Many persons or organizations earn money by recycling aluminum.

Recycling, no doubt, is here to stay. Social responsibility on the part of consumers and businesses will encourage greater use of recycling. Governmental regulation also will spur greater use of recycling in the future.

Sources:
Jacquelyn Ottman, "A Little Creativity Could Lead to a Big Advantage," *Marketing News*, March 27, 1995, p. 11; Kevin Kelly, "It Really Can Pay to Clean up Your Act," *Business Week*, November 7, 1994, p. 141; Clifford Carlsen, "Garbage Is in Fashion," *San Francisco Business Times*, May 12, 1995, p. 3; Laura Litvan, "Going 'Green' in the '90s," *Nation's Business*, February, 1995, p. 30; Johanna Powell, "Companies Get Their Due for Public Service," *The Financial Post*, November 12, 1994, p. s15.

CONTROVERSIAL ISSUE (SUPPLEMENTAL CASE)

Would You Be the One to Blow the Whistle?

Ethics is concerned not only with an individual's conduct but also with how an individual responds to the actions of others. An employee who takes action upon observing improper conduct by a fellow employee is often referred to as a whistleblower. Having read of the harassment that most often comes to a whistleblower, however, a person will probably think long and carefully before blowing the whistle. The case below is a fictitious example used to discuss the ethical problems for employees.

Adam Brown worked in the design engineering department of a manufacturing firm. One of the policies of the manufacturing firm was that no employee should accept gifts of more than $20 from outside suppliers or firms. As part of his job, Adam Brown frequently communicated and worked with the purchasing department in his firm in providing material and equipment specifications for purchases. Adam's dealings with Martin Cooper, director of the purchasing department, and other employees of the purchasing department were friendly and cordial, and all purchases made for the manufacturing firm seemed to be made in a professional manner.

One day while talking to a sales representative of one of his firm's suppliers, Adam discovered that Martin Cooper and his wife had received a free trip to the Bahamas, with all air, hotel, and meal expenses paid by the sales representative's company. Adam knew that Martin had not won the trip in a drawing or sweepstakes, and he realized it was an "under the table" gift to Martin for buying the sales representative's products. Accepting such a gift from a supplier was strictly against company policy. Adam likes Martin, and Adam has no evidence that Martin had given special consideration to the supplier in selecting the supplier's products. Also, the supplier's products have met or exceeded all the

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engineering specifications. Adam rationalizes that most likely the trip was just an expression of appreciation from the supplier, but he still agonizes about what he should do.

Questions

1. Was Martin Cooper's free trip an example of unethical business behavior?

While answers may in fact vary for this the answer should be yes.

2. Should Adam report to one of his company's executives what he had discovered? Or should he talk to Martin Cooper? Or should he just keep quiet?

Answers may vary but Adam should report the trip.

3. If he decides to do nothing, is Adam guilty of unethical business behavior?

Asnwers may vary. By not reporting the incident students should recognize that Adam is breaching ethics.

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CHECK YOUR PROGRESS

1. **Define business ethics. Who determines whether a business actively is ethical? Is unethical conduct always illegal?**

Business ethics are the principles and standards that determine acceptable conduct in business organizations. The acceptability of behaviour in business is determined by customers, competitors, government regulators, interest groups, and the public, as well as each individual's personal moral principles and values. All actions deemed unethical by society are not necessarily illegal, and both legal and ethical concerns change over time.

2. **Distinguish between ethics and social responsibility.**

Ethics and social responsibility do not mean the same thing. Business ethics relate to an individual's or a work group's decisions that society evaluates as right or wrong, whereas social responsibility is a broader concept that concerns the impact of the entire business's activities on society.

3. **Why has ethics become so important in business?**

Ethics is important in business because it builds trust and confidence in business relationships. Unethical actions may result in negative publicity, declining sales, and even legal action.

4. **What is an ethical issue? What are some of the ethical issues named in your text? Why are they ethical issues?**

An ethical issue is an identifiable problem, situation, or opportunity requiring a person or organization to choose from among several actions that must be evaluated as right or wrong. Ethical issues can be categorized in the context of their relation with conflicts of interest, fairness and honesty, communications, and business associations.

5. **What is a code of ethics? How can one reduce unethical behavior in business?**

Codes of ethics, policies on ethics, and ethics training programs advance ethical behaviour because they prescribe which activities are acceptable and which are not, and they limit the opportunity for misconduct by providing punishments for violations of the rules and standards

6. **List and discuss the arguments for and against social responsibility by business. Can you think of any additional arguments (for or against)?**

***For*:**
1. Business helped to create many of the social problems that exist today, so it should play a significant role in solving them, especially in the areas of pollution reduction and cleanup.
2. Businesses should be more responsible because they have the financial and technical

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resources to help solve social problems.
3. As members of society, businesses should do their fair share to help others.
4. Socially responsible decision making by businesses can prevent increased government regulation.
5. Social responsibility is necessary to ensure economic survival: If businesses want educated and healthy employees, customers with money to spend, and suppliers with quality goods and services in years to come, they must take steps to help solve the social and environmental problems that exist today.

***Against*:**
1. It sidetracks managers from the primary goal of business—earning profits. Every dollar donated to social causes or otherwise spent on society's problems is a dollar less for owners and investors.
2. Participation in social programs gives businesses greater power, perhaps at the expense of particular segments of society.
3. Some people question whether business has the expertise needed to assess and make decisions about social problems.
4. Many people believe that social problems are the responsibility of government agencies and officials, who can be held accountable by voters.

Students may develop additional arguments based on their own personal experiences.

7. What responsibilities does a business have toward its employees?

In relations with employees, businesses are expected to provide a safe workplace, pay employees adequately for their work, and treat them fairly.

8. What responsibilities does business have with regard to the environment? What steps have been taken by some responsible businesses to minimize the negative impact of their activities on the environment?

Society expects businesses to take greater responsibility for the environment, especially with regard to animal rights, as well as water, air, land, and noise pollution.

9. What are business's responsibilities toward the community in which it operates?

Many businesses engage in activities to make the communities in which they operate better places for everyone to live and work.

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GET INVOLVED

1. Discuss some recent examples of businesses engaging in unethical practices. Classify these practices as issues of conflict of interest, fairness and honesty, communications, or business relationships. Why do you think the businesses chose to behave unethically? What actions might the businesses have taken?

2. Discuss with your class some possible methods of improving ethical standards in business. Do you think that business should regulate its own activities or that the federal government should establish and enforce ethical standards? How do you think businesspeople feel?

3. Find some examples of socially responsible businesses in newspapers or business journals. Explain why you believe their actions are socially responsible. Why do you think the companies chose to act as they did?

SO YOU WANT A JOB IN BUSINESS ETHICS AND SOCIAL RESPONSIBILITY

What has helped drive the increasing awareness of the importance of business ethics and social responsibility?

Under pressure from employees and consumers, businesses understand the importance of ethical and social responsibility issues. They recognize that being socially responsible and ethical is good for the business' bottom line, as well as for its reputation. As the trend continues to grow, more and more businesses are likely to employ individuals who are experts in these areas.

ADDITIONAL DISCUSSION QUESTIONS AND EXERCISES

1. Why is it important to act ethically?

Answers may vary. Instructors should reinforce that ethical conduct builds trust among individuals and in business relationships this validates and promotes confidence about fair treatment.

2. List and describe some of the major ethical issues that are common in organizations.

Common ethical issues include the following:

Abusive and Intimidating Behaviour **-** Abusive or intimidating behaviour is the most common ethical problem for employees. The concepts can mean anything from physical threats, false accusations, being annoying, profanity, insults, yelling, harshness, or ignoring someone, to unreasonableness

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Conflict of Interest **-** A conflict of interest exists when a person must choose whether to advance his or her own personal interests or those of others.

Fairness and Honesty **-** Fairness and honesty are at the heart of business ethics and relate to the general values of decision makers. At a minimum, businesspersons are expected to follow all applicable laws and regulations. But beyond obeying the law, they are expected not to harm customers, employees, clients, or competitors knowingly through deception, misrepresentation, coercion, or discrimination.

Communications **-** Communications is another area in which ethical concerns may arise. False and misleading advertising, as well as deceptive personal-selling tactics, anger consumers and can lead to the failure of a business. Truthfulness about product safety and quality are also important to consumers.

Business Relationships **-** The behaviour of businesspersons toward customers, suppliers, and others in their workplace may also generate ethical concerns. Ethical behaviour within a business involves keeping company secrets, meeting obligations and responsibilities, and avoiding undue pressure that may force others to act unethically.

Plagiarism - taking someone else's work and presenting it as your own without mentioning the source is another ethical issue.

3. Each year major newspapers and trade periodicals review ethics in business. Ask students to use Internet resources to find some of the more recent ethical issues being discussed in the news and have students present a synopsis of the case to the class or submit the information in writing. Students should identify the major people involved in the case, the ethical issue at hand and the result to date.

Answers may vary

CHAPTER 2 QUIZ

1. In North America, George an elaborately wrapped gift to a prospective client on their first meeting, it might be viewed as

A. appropriate.
B. expected.
C. a bribe.
D. a gift.
E. normal.

2. A supplier has offered Karim's family a free two-week cruise if his firm gets a very large order from Karim''s company. The most ethical course of action for Karim to take would be to

A. politely turn it down and discuss the offer with her boss.

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B. accept it if the part in question meets quality standards.
C. ask around and see how her boss handled such offers previously.
D. accept the offer.
E. call the police.

3. A set of formalized rules and standards that describe what a company expects of its employees is called a(n)
A. code of ethics.
B. opportunity.
C. moral philosophy.
D. guideline.
E. law.

4. If a CEO pressures a manager to engage in activities that he or she may otherwise view as unethical, there exists an ethical issue related to
A. plagiarism.
B. business relationships.
C. communications.
D. fairness and honesty.
E. conflicts of interest.

5. When the National Post investigated claims about organic food for questionable claims, the primary area of ethical concern in this case was questionable
A. conflict of interest.
B. communications.
C. product design.
D. business relationships.
E. financing.

Answers 1. c 2. a 3. a 4. b 5. b

BUILD YOUR BUSINESS PLAN

Think about which industry you are considering competing in with your product/service. Is there any kind of questionable practices in the way the product has been traditionally sold? Produced? Advertised? Have there been any recent accusations regarding safety within the industry? What about any environmental concerns? For example, if you are thinking of opening a lawn care business, you need to be thinking about what possible effects the chemicals you are using will have on the client and the environment. You have a responsibility to keep your customers safe and healthy. You also have the social responsibility to let the community know of any damaging effect you may be directly or indirectly

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responsible for. Draft an outline of your project and list any ethical and social concerns. Is there a way you can incorporate social responsibility into the marketing of your business to create an advantage. For example, some lawn care companies market themselves as being environmentally friendly and charge a premuim.

TERM PAPER OR PROJECT TOPICS

These topics may be assigned as individual or collaborative projects:
1. Advantages and Disadvantages of Social Responsibility Programs for Business
2. A Study of Unethical Business Practices
3. A Survey of Social Responsibility Programs in Corporations (can do a questionnaire survey of local firms)
4. Environmental Issues and Their Solutions

GUEST SPEAKER SUGGESTIONS

1. A professor or teacher to talk about ethics in business.
2. A representative from a business firm to speak about business ethics, problems with business ethics in a competitive environment, and importance of business ethics in dealing with consumers.
3. A business communication or English professor or teacher to speak to the class on what constitutes
4. plagiarism, how to paraphrase, and how to use correct documentation.
5. An individual (concerned environmentalist, teacher, professor, etc.) to speak on local environmental issues.
6. A consumer relations manager to describe consumer relations programs of a local firm.

TEACHING SUGGESTIONS

1. As indicated in "Teaching Suggestions" for Chapter 1, instructors may wish to vary the daily organization of the lesson. Varying the sequence of activities adds variety to class presentation.

2. At the beginning of the chapter in the textbook and in this *Instructor's Manual*, objectives are provided. Many instructors write the objectives on the chalkboard or on an overhead at the beginning of the class session and then at the end of the session check off each objective to determine if all the objectives have been achieved. Educational research indicates students learn more effectively when there is a summarization or review of the textbook content at the end of class sessions.

3. As a "writing to learn" exercise, allow approximately five minutes for students to write their thoughts or summary on this topic:

   What is the importance of ethics and social responsibility in business today?

   The writing exercise can be done with or without the use of the textbook. The purpose of the exercise is for students to consider the topic and apply the knowledge learned in the reading assignment. Research indicates that the act or process of writing helps students to retain information. Feedback may be done by calling on a few students at random to read their writing. Remember, not all feedback need be for a letter grade; instead, the feedback may be treated as an activity to enhance learning. For large classes, an alternative to calling on individual students is to break into small groups and have them share their writing within the small group.

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4. The instructor can lecture using the "Lecture Outline and Notes," covering all of the chapter content. An alternative is not to cover the entire chapter but simply to use the PowerPoints to cover main points of the chapter; then the instructor may have time to use the "Supplemental Lecture" and/or "Controversial Issue" material provided in this *Instructor's Manual*. If students are to have read the chapter prior to class, then the instructor may spend less time lecturing and more time with additional material, discussion questions, and boxed material or cases.

5. Use the quiz in the test bank provided. Have students write answers quickly. Then have students call out the correct answers in unison. Ask if there are any questions about any of the answers.

6. Occasionally, an instructor may wish to give oral instructions or information to reinforce listening skills. One business professor gives part of her test instructions orally; she believes that teachers reward inattention by repeating information time and time again. She warns students that she will give the instructions only once and will not repeat instructions. Her students learn to listen!

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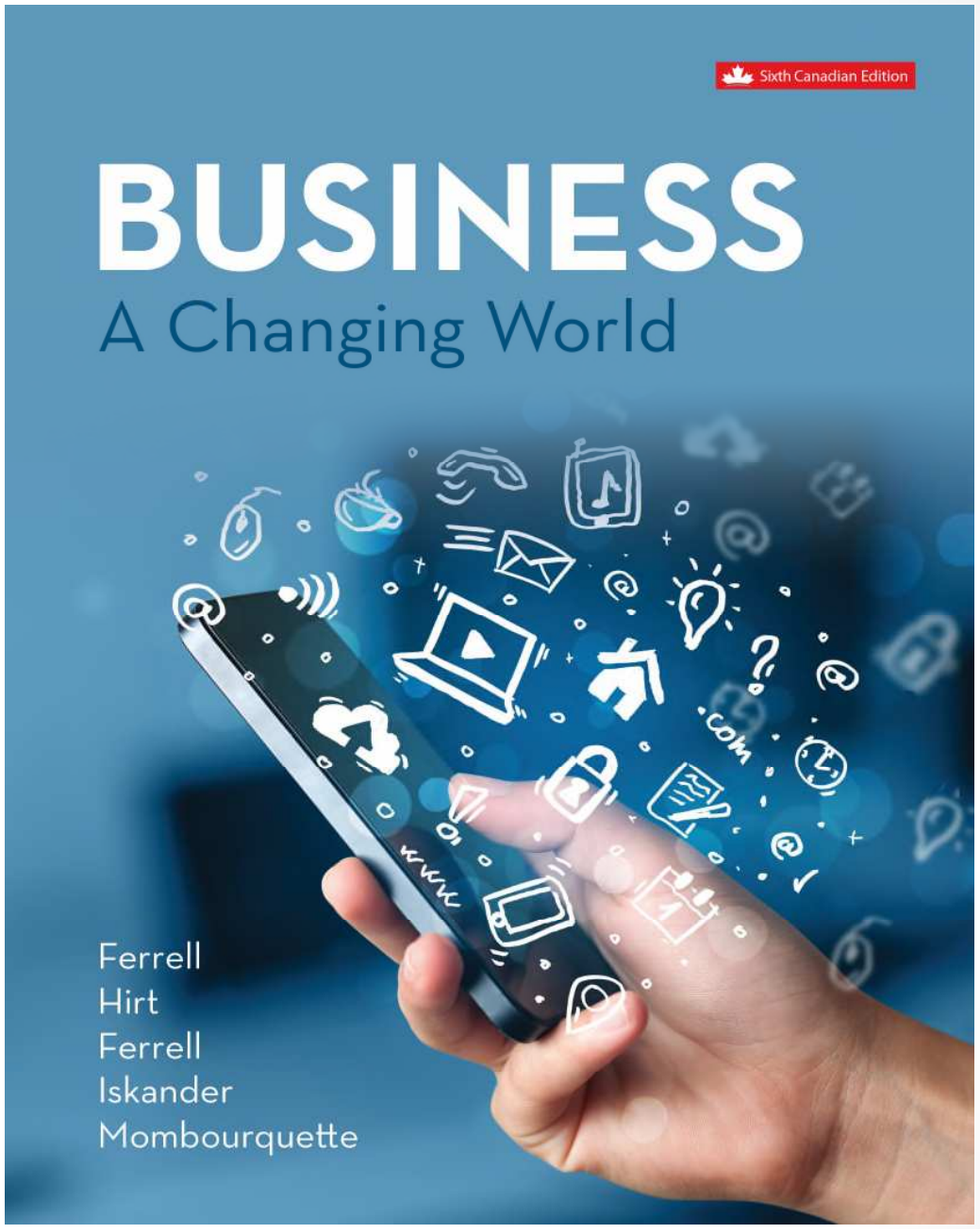

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2

Business Ethics and Social Responsibility

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Learning Objectives

- **L01** Define business ethics and social responsibility, and examine their importance.
- **L02** Detect some of the ethical issues that may arise in business.
- **L03** Specify how businesses can promote ethical behaviour.

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Learning Objectives

- **L04** Explain the four dimensions of social responsibility.
- **L05** Debate an organization's social responsibilities to owners, employees, consumers, the environment, and the community.

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Business Ethics

Principles and standards that determine acceptable conduct in business

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L01

Business Ethics

- The acceptability of behaviour in business is determined by customers, competitors, government regulators, interest groups, and the public, as well as each individual's personal moral principles and values.

- Determining ethical behaviour is not as easy as one may think and often depends on which stakeholder group an individual belongs.

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For Example

- For example, Keystone XL, the controversial pipeline project that Trans Canada wants to build through the United States.
- Many in Canada favour the project as it will allow oil and gas quicker access to market and the construction will create jobs. In addition there are thousands of miles of pipeline already in existence.
- Yet many environmental groups and past President Barack Obama opposed the project over concerns it would have on the environment

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- If you worked in the oil and gas industry would likely consider the construction of the pipeline as logical and ethical
- Perhaps if you lived in the areas where the pipeline is being built you would think otherwise.

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Other Examples

- For example, General Motors (GM), Ford and Chrysler all maintain manufacturing facilities in Canada. Due to the recent recession, these companies laid off thousands of workers and essentially tore up contracts that they had negotiated with their employees claiming that this was the only way to ensure that any manufacturing jobs were left in the local economies.
- If you worked for these companies in the past couple of years, would you consider them ethical?
- Ford avoided bankruptcy was their ability to drastically reduce wages, thus allowing their shareholders to avoid losing everything they had invested.
- Would shareholders and employees have a different opinion of Ford?

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Social Responsibility

- Business's obligation to maximize its positive impact and minimize its negative impact on society.
- Social Responsibility is growing in importance.
- In a recent poll, 78% of Canadians said they would quit their jobs to work at a company that was more environmentally friendly.

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A Timeline of Ethical and Social Responsibility Concerns

table 2.1 A Timeline of Ethical and Socially Responsible Concerns

1960s	1970s	1980s	1990s	2000s
• Environmental issues	• Employee militancy	• Bribes and illegal contracting practices	• Sweatshops and unsafe working conditions in third-world countries	• Employee benefits
• Civil rights issues	• Human rights issues	• Influence peddling		• Privacy issues
• Increased employee–employer tension	• Covering up rather than correcting issues	• Deceptive advertising	• Rising corporate liability for personal damages (e.g., cigarette companies)	• Financial mismanagement
• Honesty	• Discrimination	• Financial fraud (e.g., savings and loan scandal)		• Abusive behaviour
• Changing work ethic	• Harassment			• Cyber crime
• Rising drug use		• Transparency issues	• Financial mismanagement and fraud	• Intellectual property theft

SOURCE: Adapted from "Business Ethics Timeline," Copyright © 2003, *Ethics Resource Center* (n.d.), www.ethics.org, updated 2006. Used with permission.

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Laws and Regulations

Laws and regulations encourage businesses to conform to society's standards, values, and attitudes.

- Bill C-198 in Canada- stiffened penalties for corporate fraud
- Sarbanes-Oxley Act in the United States –after Enron and WorldCom scandals

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L01

Unethical and/or Illegal Conduct

Examples include:

- Accounting fraud
- Deceptive advertising
- Unfair competitive practices
- Internet theft

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Ethical Conduct Helps To:

- Build Trust
- Promote confidence
- Validate relationships

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L01

Concerns about unethical business practices continue:

- TELUS accuses Rogers of running false advertising
- “Robocall” scandal –involved people being called and told where to cast their vote stating that the poll had been changed when it was not the case

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Ethical Issue

An identifiable problem, situation, or opportunity that requires a person to choose from among several actions that may be evaluated as right or wrong, ethical or unethical

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L02

How to Judge the Ethics of a Situation

- Examine the situation from your stakeholders' position, including customers and competitors
- People often need years of experience to accurately recognize and react to ethical situations
- Ethical situations vary by culture

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Consider the following

- In a recent survey, 40 percent of employers admitted to visiting social media sites to pre-screen applicants who are applying for a job. Is it fair to do this without consulting with the person?

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Consider the following

- Tom comes to work and looks exhausted during a presentation he is giving to clients. Tom's boss later visits Tom's Facebook page where she discovers he was out partying the night before the presentation. How should she handle the situation? Should she have visited Tom's profile to determine what he was doing the day before the presentation? Why or why not?

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Sources of Unethical Behaviour in Business

- Overly aggressive financial or business objectives
- Abusive & intimidating behavior
- Conflict of interest
- Fairness & honesty
- Communications
- Business relationships
- Plagiarism

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Abusive & Intimidating Behaviour/Bullying

1. Spreading rumors to damage others
2. Blocking others communication in the workplace
3. Flaunting status or authority to take advantage of others
4. Discrediting others ideas and opinions
5. Use of e-mails to demean others
6. Failing to communicate or return communication
7. Insults, yelling, and shouting
8. Using terminology to discriminate by gender, race, or age
9. Using eye or body language to hurt others or their reputation
10. Taking credit for others work or ideas

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Sources of Unethical Behavior in Organizations

Conflict of interest

- Advance personal interest over others' interests
- Benefit self at the expense of the company

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Sources of Unethical Behaviour in Organizations

Bribe

- Payments, gifts, or special favours intended to influence the outcomes of a decision.
- A conflict of interest because it benefits an individual at the expense of an organization or society.

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Fairness & Honesty

At the heart of business ethics

- How employees use resources
- No harm to customers
- Accurate representations
- Disclosure
- Recent examples: Activia & Probiotics; Maple Leaf Foods

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L02

Ethical Concerns in Communications

- False/misleading advertising
- Deceptive personal selling tactics
- Product safety and quality
- Unsubstantiated claims
- Product labeling

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Plagiarism

- The act of taking someone else's work and presenting it as your own without mentioning the source
  - A major problem in schools and business
    - Students copying others' work
    - A manager taking credit for a subordinate's work
    - Employees copying reports and passing the work off as their own
    - 73% of high school students and 53% of university students admitted to serious cheating

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Ethical Concerns in Business Relationships

- Relationships with customers
- Relationships with suppliers
- Relationships with co-workers

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Code of Ethics

Formalized rules and standards that describe what a company expects of its employees

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L03

Key Things to Consider in Developing a Code of Ethics

table 2.6 Key Things to Consider in Developing a Code of Ethics

- Create a team to assist with the process of developing the code (include management and non-management employees from across departments and functions).
- Solicit input from employees from different departments, functions, and regions to compile a list of common questions and answers to include in the code document.
- Make certain that the headings of the code sections can be easily understood by all employees.
- Avoid referencing specific Canadian laws and regulations or those of specific countries, particularly for codes that will be distributed to employees in multiple regions.
- Hold employee group meetings on a complete draft version (including graphics and pictures) of the text using language that everyone can understand.
- Inform employees that they will receive a copy of the code during an introduction session.
- Let all employees know that they will receive future ethics training which will, in part, cover the important information contained in the code document.

SOURCE: Adapted from William Miller, "Implementing an Organizational Code of Ethics," *International Business Ethics Review* 7 (Winter 2004), pp. 1, 6–10.

L03

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Key Ethical Term

Whistleblower

- An employee who exposes an employer's wrongdoing to outsiders, such as the media or government regulatory agency.

- The Canadian Government is hoping to encourage whistleblowers to inform them about tax cheats. Revenue Canada is offering whistleblowers a 15% commission on money collected as a result of tips.

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Ethical Decisions in an Organization are Influenced by <u>Three Key Factors</u>

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Four Dimensions to Social Responsibility

1. Economic
2. Legal
3. Ethical
4. Voluntary

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The Pyramid of Social Responsibility

L04

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Corporate Citizenship

The extent to which businesses meet the legal, ethical, economic, and voluntary responsibilities placed on them by their stakeholders

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L04

Stakeholder Relationships: *Shareholders*

- Primarily concerned with profit or ROI
- Financial community at large
- Proper accounting procedures
- Protecting owner's rights and investments

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Stakeholder Relationships: *Employees*

- Provide a safe workplace
- Adequate compensation
- Listen to grievances
- Fair treatment

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Stakeholder Relationships: *Consumers*

Consumerism

- Activities that independent individuals, groups and organizations undertake to protect their rights as consumers

Consumers want:

- The right to be informed
- The right to choose
- The right to be heard

In Canada, the Office of Consumer Affairs supports consumer protection regulation

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L05

Stakeholder Relationships: *The Environment*

- Animal rights
- Pollution

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Response to Environmental Issues

- Businesses are responding to environmental issues.
- Many small and large companies, including the Irving Group, Suncor, Research in Motion (RIM), Walt Disney Company have created new positions to help them achieve their business goals in an environmentally responsible manner.
- Some companies are finding that environmental consciousness can save them money.
- Lush Fresh Hand-made Cosmetics has averted 6 million plastic bottles from landfills by selling shampoos in bars and they use recycled materials in their packaging 90% of the time.

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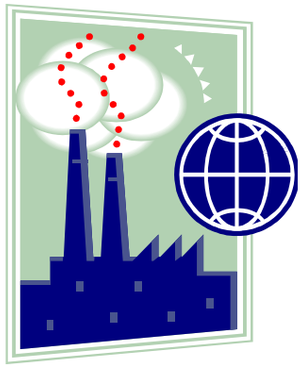
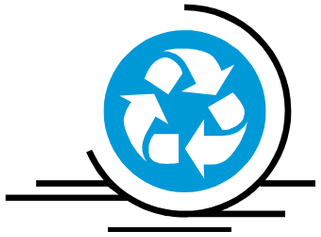
Response to Environmental Issues (cont...)

- Many firms are trying to eliminate wasteful practices.
- Toronto-based Delta hotels introduced Delta Greens, a national sustainability program aimed at improving environmental practices.





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Discussion Questions

1. Discuss an ethical situation you have been faced with in the past. What did you do? What could have done to adhere to higher ethical standards?
2. Which stakeholder, customers, employees or shareholders should come first when making business decisions?
3. Would you invest money in online pornography or gambling companies? Why or why not?
4. Do you think it is ethical to download movies and software? Why or why not?
5. If you witnessed another student cheating would you tell the professor? Why or why not? If no, what would encourage you to 'blow the whistle'?

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