Chapter 9  Management Ethics and Social Responsibility

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

1. Describe the two broad categories of ethical theories
2. Explain what individuals need in order to act ethically
3. Describe the organizational influences on ethical conduct
4. Discuss three primary ways in which businesses can promote ethical conduct
5. Describe the relationship between law and ethics
6. Explain the concept of an ethical dilemma
7. Discuss the guidelines for acting ethically
8. Explain the three approaches by businesses to social responsibility
9. Explain the responsibilities businesses have to stakeholders
10. Describe government’s role in promoting socially responsible conduct by businesses
11. Discuss the ways in which businesses can promote socially responsible conduct

KEY TERMS

business ethics
ethical dilemma
green products
morality
proactive approach
reactive approach
resistance approach
Sarbanes-Oxley Act of 2002 (SOX)
social audit
social responsibility
sustainable communities
whistle-blower
Enrichment Vignette

One of the problems regarding ethical and social responsibility for organizations that operate around the world are significant differences in value systems among various countries and cultures—and sometimes even within countries. Behavior that is acceptable or even expected in some countries might be regarded as shocking and unethical in the United States. Furthermore, people in the United States may become enraged when they discover that behavior they regard as unacceptable—though not being carried on in the United States—is being carried on in other nations. People in the United States may expect a U.S. company to follow the ethical standards that prevail in the United States when operating in other nations that have much different standards. For example, bribing government officials is a way of doing business in some countries. In the 1970s, the U.S. Congress passed the Foreign Corrupt Practices Act that prohibited U.S. based companies from bribing foreign officials, but the U.S. Congress could not prevent competitors based in other parts of the world from engaging in bribery. As a result, in many cases the foreign officials continued to be bribed but by overseas
competitors who made sales that might otherwise have been made by U.S. based companies.
LECTURE OUTLINE

The outline below (the lecture outline) is referenced to the above chapter outline and contains supplementary material to enhance your discussion of the chapter, but it is organized somewhat differently. As a result, you have a choice: by using what is in the outline below, (1) you may present the above chapter outline material in a different sequence, or (2) you may use the chapter outline references in the outline below to present the lecture outline material in the same sequence as the chapter outline.

I. INTRODUCTION (CHAPTER OUTLINE: SECTION I)

II. MANAGING ETHICALLY (CHAPTER OUTLINE: SECTION II)

   1. This chapter probes the responsibilities and obligations that businesses and their employees bear to themselves and others.
   2. Although few individuals would openly endorse cheating, stealing, telling lies, breaking rules, and overcharging customers, the reality is that people and companies do these things every day, often with the complicity or outright support of management.
   3. Many individuals and companies consistently conduct themselves with honesty and integrity (steadfast and adherent to a strict moral or ethical code), and see to it that others for whom they are responsible act that way too.
   4. Managers must balance diverse and sometimes contradictory demands of multiple constituencies—employees, owners, customers, suppliers, and the community (local and regional)—while managing limited resources.
   5. Factors that affect this balance are:
      a. Never before have so many conflicting demands been placed upon the shoulders of managers and organizations.
      b. The consequences of managerial decisions are more far-reaching today upon people and environments than ever before.

A. Individuals and Ethical Conduct (CHAPTER OUTLINE: SECTION III)

   1. Ethics is concerned with what constitutes right and wrong human conduct, including actions and values, in light of a specific set of circumstances.
   2. Business ethics address these issues in the context of commerce and organizational conduct.
   3. Ethical theory provides two principles that may guide our thinking about ethical conduct:
      a. Consequential principles judge the ethics of a particular situation by the consequences of that action. Consequential ethics determine the “rightness” or “wrongness” of any action by determining the ratio of good to evil that the action will produce.
      b. Nonconsequential principles tend to focus on the concept of duty. Under the nonconsequential approach, a person acts ethically if that person is faithful regardless of the consequences that follow from being faithful to that duty.

B. Leaders’ Ethics

III. ORGANIZATIONAL INFLUENCES ON ETHICAL CONDUCT

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CHAPTER OUTLINE: SECTION IV

1. Human behavior derives from discernible causes or motives that can be identified, acknowledged, and modified.
2. Managers must consciously recognize the influence of underlying motivation in themselves and others.
3. Some basic motives for stepping over the line between ethical and unethical conduct include fear of losing one’s job, pressures from time and superiors to produce results, ambition to excel and advance one’s career, revenge for a perceived wrong, and a tendency to ignore the consequences of one’s actions.
4. As regards ethical training and education for subordinates, managers’ actions speak louder than their words. Employees can see through the hypocrisy of “Do as I say, not as I do.”
5. Organizations may act negatively or induce negative behaviors.
6. Individual behavior can become a by-product from the expectations of corporate life.

IV. IMPORTANCE OF ORGANIZATIONAL CONTROLS

CHAPTER OUTLINE: SECTION V

A. Commitment of Top Management

B. Codes of Ethics

1. Corporate cultures sustain values and beliefs that influence how people relate to one another.
2. Management must control these cultures and see to it that they promote ethical and socially responsible conduct. Three types of controls that can be used are commitment from top management, codes of ethics, and compliance programs.

C. Compliance Programs

D. Legal Constraints

1. Competent managers cultivate an informed awareness of the role of the law in organizational and individual conduct.
2. Corporations and their employees take actions every day that affect the lives of countless people—from their constituents to their stakeholders.
3. Laws can form boundaries and a basis for human and corporate conduct; law and ethics together define acceptable behavior.
4. The chapter illustrates a relationship between legal and ethical dimensions.

E. Ethical Dilemmas

1. There are no prescriptions, recipes, set of rules, or formulas for ethical behavior.
2. Some companies and professions establish written codes of conduct for acceptable practices and behavior.
3. Managers constantly face dilemmas—situations that require a choice between options that are or seem equally unfavorable or mutually exclusive.

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4. Dilemmas involve uncertainty and risk over the rightness or wrongness of actions.
5. Besides uncertainty about which course of action is ethical, an ethical dilemma also arises when all courses of action are judged to be unethical.

Enrichment Vignette

A study of students from 31 universities found that two out of three students cheat on exams. The highest percentage of cheaters were business majors; in second place were engineering majors, then science majors followed by humanities students. Over 6,000 students participated in the survey. Which of the above rationalizations do you think these cheaters used?

F. Guidelines for Acting Ethically  (CHAPTER OUTLINE: SECTION VIII)

1. Considerations for ethical behavior should precede the act.
2. The consequences of action are primary considerations for ethical behaviors.
3. Since we are all a part of a larger community, the impact from individual behavior impacts upon the self as well as numerous others.

Enrichment Vignette

Very much in the news in 1991 was the issue of fat executive salaries and perks, even when the companies the executives worked for were experiencing record losses. Three cases in point:

- Top-ranking Postal Service executives across the country collected nearly $20 million in bonuses from 1988 through 1990. Bonuses averaged $5,900 each for 73 division postmasters. During this time, postal rates went up 16 percent for first class and 19 percent for other types of mail while losses for the Postal Service ran $1.4 billion.
- UAL chairman Stephen Wolf took home $17 million in stock incentives and about $1 million in salary and bonuses from 1990, a year in which UAL profits dropped over 70%.
- Chrysler’s Lee Iacocca earned $5 million for the same year in which his company experienced record losses. As part of his compensation, the company purchased his Palm Beach apartment from him for $795,000, 3.5 times its actual worth.

In times of layoffs, cutbacks, givebacks, and forced early retirements, the workers and rank and file did not see these actions as moral or ethical.

V. NATURE OF SOCIAL RESPONSIBILITY

A. Approaches to Social Responsibility

1. The notion that individuals and organizations have certain obligations, in addition to their business interests, to protect and benefit others and to avoid action that could harm them is what constitutes social responsibility.
2. Businesses are open systems, and most of what they do generates direct benefits and costs for their societies.
3. Today, society demands that the businesses join in the urgent task of solving
societies’ problems.

4. Businesses can adopt any of three primary strategies to manage the issue of social responsibility: to resist, to react, and to anticipate.
   a. Companies adopt the resistance approach when they actively fight to eliminate, delay, or fend off the demands being made on them.
   b. Businesses taking the reactive approach wait for demands to be made and then respond to them by evaluating alternatives.
   c. Companies taking the proactive approach continually look to the needs of constituents, constantly staying in touch, sensing their needs, and trying to find ways to assist them.

B. Responsibilities to Stakeholders (CHAPTER OUTLINE: SECTION X)

1. Stakeholders are those who have an interest in or who are affected by how a business conducts its operations.
2. The stakeholders in most businesses include their owners and stockholders, employees, customers, suppliers, and communities.
3. Society as a whole can be viewed as a stakeholder.
4. Examples of stakeholders covered in the chapter are listed below.
   a. Owners and Stakeholders
   b. Employees
   c. Customers
   d. Suppliers
   e. Communities

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Enrichment Vignette

Americans are voting through polls and in the marketplace for environmentally sound companies and products. A poll of 2,000 American adults shows some surprising results:

- 74% believe that the government should keep the environment as a high priority.
- 55% are willing to pay 50% more for environmentally safe long-term disposal.
- 59% will pay up to 25 cents more per gallon of gasoline to help decrease air pollution.
- More than half are willing to sacrifice jobs and to pay more for environmentally safe products and practices.

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C. Government Regulation: Pros and Cons (CHAPTER OUTLINE: SECTION XI)

1. Many laws that are on the books today were brought about because of corporate irresponsible acts.
2. Many products are manufactured and sold with little or no consideration for the costs placed on society.
3. Many consumers are willing to pay a premium for products that are environmentally friendly.

VI. MANAGING FOR SOCIAL RESPONSIBILITY (CHAPTER OUTLINE: SECTION XII)

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A. **Top-Management Commitment**

1. The text contains a checklist for implementing a proactive environmental management program.
2. A successful organizational program for meeting social responsibilities reflects commitment in decision-making and planning efforts. It also monitors those commitments to ensure compliance.

B. **Social Audit**

1. The social audit is a report on the social performance of a business.
2. Such an audit usually summarizes corporate activities under the following headings: charitable contributions, support of local community groups and activities, employment of protected groups, political contributions, pollution control and cleanup, health and safety measures, and efforts to improve the quality of work life for employees.

**Enrichment Vignette**

Under the 1863 Federal False Claims Act, whistle-blowing employees who file civil lawsuits laying out evidence of fraud can receive financial rewards. One example was a former Tectonics employee who received $1.4 million for bringing to light overcharges in contracts with the U.S. Navy and Air Force. The government recovered $14.3 million from Tectonics. Numerous cases of illegal, fraudulent conduct by businesses have come to light through the efforts of employees who blew a whistle. While various laws exist to protect such employees, they suffer severely for many years in many cases until justice can be done.

**SUGGESTED RESPONSES TO REVIEW QUESTIONS**

1. **How can simply doing your duty be considered to be acting ethically?**

   The ethical responsibilities and obligations that businesses and their employees have to themselves and society in general are far-reaching. Individual human conduct, which may be ethically right or wrong, often impacts the welfare and health of many others. This is readily apparent with managerial decision-making as well as with individual behaviors of employees.

2. **In what ways are a person’s morals and ethics linked? Can an individual’s moral code be an ethical code as well?**

   The initial morals (core values and beliefs) of an individual may complement or clash with the ethical behavior of that person. That is, morals may or may not link with or be consistent with the ethical practices of any individual. Examples: (1) I’m doing something that I know I should not do, or (2) I know that I am doing the proper thing!

3. **How can an organization’s culture influence the ethics of its members?**

   Employees often center their attention upon and become closely attached to
A personal dependence may even preoccupy an employee either on or off the job. In essence, employees become a close part of the cultural world of organizational activities.

Three keys to ethical conduct are compliance with norms of behavior, making contributions to society, and recognizing the consequences of one’s actions.

Many organizations have built in a variety of safeguards to promote ethics and social responsibility. They usually start with the commitment in work and deeds of top management. Policies are written or revised to include concerns for social responsibility as well as ethics. They create programs for promoting an active role for their organizations in meeting societal needs.

4. What can organizations do to promote ethical conduct from their members?

Organizations and individual employees must be viewed as combined elements. That is, both are dependent upon the other by cooperating and coordinating for extended survival and growth.

Companies and individual employees must strive to make ethics a priority in the processes by which they make their decisions. We are all part of a larger community and our decisions and actions affect others. The consequences of corporate decision making have an effect on far more people and the environment than ever before. Organizations must establish, practice, enforce, and follow up rules for ethical behavior and intended action. These rules must be used to guide ethical thought and behavior as well as help managers analyze and understand the consequences of their actions prior to the action itself.

5. What, if anything, is wrong with this statement: “If it’s legal, it’s ethical.”

This statement is not conclusive. Instead, one must consider any combination of ethical, unethical, legal, or illegal intentions, behaviors, or actions.

6. You have been ordered to reduce your ten-person staff, all of whom are quite competent, by two people. What are the possible ethical dilemmas you may face?

Individual student responses will vary.

7. What guidelines do you use to determine if an intended action is ethical?

Laws form an ethical foundation; however, laws are minimal and limited to the scope of morality. In essence, laws do not cover all ethical and moral issues of every situation. Laws can form boundaries and a basis for human and corporate conduct; laws and ethics together define acceptable behavior. But ethics comprise more than legalities. Ethics should protect and promote the interest of society in general and the corporation’s constituents in particular. Good ethics strengthen the bonds of personal and social relationships.

8. When a company hires lawyers to find ways around a new environmental law, what
approach to social responsibility is it exhibiting?

Student answers will vary significantly.

9. Who are a company’s stakeholders? What obligations does it have to each?

Stakeholders are those who have an interest in or who are affected by how a business conducts its operations. In general, the stakeholders in most businesses include their owners and stockholders, employees, customers, suppliers, and communities. Society as a whole can be considered a stakeholder as well if the business is large enough to affect people and the environment beyond its physical location.

Companies owe owners and stockholders their best efforts to conserve assets and use resources effectively and efficiently. Employees should be provided equal access to rights, responsibilities, and privileges by employers. Fair and honest representation of products and services must be afforded to customers. Strong and loyal relationships based upon mutual trust should exist between suppliers and businesses. Community environments and governments must be provided a quality of life by a company’s operations within that locale.

10. How does government promote socially responsible conduct on the part of business?

The government attempts to encourage, promote, and enforce moral and ethical issues regarding social responsibilities of organizations. However, corporations have committed acts that harm the environment, consumers, communities, and society as a whole. Laws now in existence were brought about largely by these abuses. When society can’t depend on the perpetrator to act appropriately, it must compel such action. But the enforcement of many laws depends more on individuals’ commitments to social responsibility than it does on government agencies. Government simply does not have enough money or people to adequately enforce its regulations. Society’s best protection rests in an informed citizenry and a formed conscience in each and every owner and employee.

11. How can a business ensure its socially responsible conduct?

Managers today must anticipate society’s concerns and actively forecast and plan to meet its needs. They must make social responsibility a priority and, as with ethics, build a concern for it as a priority in their cultures and employees.

Executives in top management must commit the time and money necessary to make their organization socially responsible. They need to act as well as talk. Top managers who want to make their organizations proactive should provide the following:

- Top-level commitment and support.
- Corporate policies that integrate environmental issues.
- Effective interfaces between corporate and business-unit staff.

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• High degree of employee awareness and training.
• Strong auditing programs.
• Establishment of responsibility for identifying and dealing with real and potential environmental problems.

INSTRUCTIONAL EXPLANATION: DISCUSSION QUESTIONS FOR CRITICAL THINKING

These thought-provoking questions are provided by the authors for each chapter as primers for student discussion. This method of questioning ensures that the students have read the assigned materials or content. These questions are presented to generate thinking and discussion. They can be used as supplemental homework assignments and/or class discussions that center on specific critical thinking issues and applications.

It is important that students are able to respond from their experiences and through their perceptions as well as incorporate the specific course content into their reasoning, explanations, descriptions, and individualized contributions. Most of these questions cannot be answered in a right/wrong fashion. Instead, student responses and/or group discussions should be encouraged by the instructor to bring out individualized critical thinking as opposed to absolute correct answers.

WEB 2.0 EXERCISES

Choose a big-ticket item, like a car, a flat-screen TV, or a camera that you would like to purchase. Read online reviews, ask friends for their experience and opinions, and then visit the company’s website. Identify the product and websites. What does the company say about itself on its Websites? What about your friends’ experiences? Compare and contrast the company Website to online reviews and your friends’ experiences and opinions. What social media tools would you recommend to the management of the company? (Consider an interactive “ask management” page; a blog to provide additional information and discussion of the company’s product(s); Twitter to call attention to new blog postings, news releases, or Website updates, etc.)

The student answers to these questions will vary greatly. Similar to the critical thinking questions provided throughout the text, these questions allow students the opportunity to think in a broad, creative sense with many variables or choices for response. It is important that the instructor encourage the students to “back up” or support their answers with specific subject content from the text as well as provide a rational/logical approach to their comments.

SUGGESTED RESPONSES TO EXPERIENTIAL LEARNING CASE: TENET: DOES GETTING LEAN MEAN GETTING MEAN?

1. In what ways might Tenet’s drive for profits place patient care in jeopardy?

   First it should be noted that an important source of information regarding Tenet was obtained from a union that would normally wish to protect the jobs of its members and from a sympathetic journalist who may or may not have been objective. The impression given from these sources suggest that the company would increase its profits by not only charging more but spending less on areas that are vital to patient care—and that is possible. On the other hand, the drive for profits might result in a
more efficient organization which eliminates waste and duplication and which can obtain better prices for the things that it buys—that may or may not improve care but it would not necessarily endanger care.

2. What ethical issues do you see in this case?

Answers will vary. Students who feel that profit and greed are the same thing as well as students who feel that some kinds of activities must be carried out only by those who are motivated by societal needs rather than profit, may object to the very existence of the profit making health care organization. Others may feel that the real issue is quality of health care and the cost of providing the desired quality—can the quality and cost be better provided by an organization which does not have to worry about a profit or will such an organization be complacent in its activities and focused on the needs of its employees rather than its customers? Can the profit motivation produce more efficiency, lower costs, and better quality and if so, will such improvements impact the customer or simply the stockholders and executives? The opposition from rivals suggests that they may fear losing business to Tenet thus indicating that they believe that Tenet may be able to do things well enough to attract customers away from them. However, if Tenet only benefits the stockholders and executives, is that unethical as long as it does not harm the customers?

3. What issues relating to social responsibility exist for Tenet and its rivals?

Students may have many possible answers to this question. However, clearly Tenet and its rivals have a responsibility to their customers—they should seek to provide the health care value that their customers are paying to obtain. The interests of the employees, executives, and owners (whether stockholders, governments, charities, etc.) should be met as a result of meeting the needs of the customers. Saying the same thing another way, the employees, executives, and owners exist to serve the customers—the customers do not exist to serve the needs of the employees, executives, and owners.

ADDITIONAL CASE PROBLEMS WITH SUGGESTED ANSWERS:

Columbia/HCA’s Hospitals: Does Getting Lean Mean Getting Mean?

Columbia-HCA Healthcare Corporation grew to become the largest U.S. health-care provider in 1995 by acquiring nonprofit health-care providers and turning them into profit centers. “By bringing to health care the sort of hard-nosed deal making, consolidating, and cost-cutting tactics that have made other U.S. industries lean, agile, and profitable, Columbia’s former chief executive, Richard L. Scott, created a $15 billion juggernaut in just eight short years.” For 1995 the company had earnings growth of 27 percent and profit margins of 22 percent. Although Columbia’s stockholders and managers were happy, many of its nonprofit competitors believed the company’s tactics ignored what was best for patients and their communities.

When Columbia-HCA decided to enter a geographic area, it typically purchased two or more health-care providers, consolidated their services, pooled their talent, and reduced their costs. One tactic for improving efficiency was to replace high-skilled jobholders, such as registered nurses, with lesser skilled and lower paid nurse’s aides. Because of its enormous size—326 hospitals and over 100 outpatient facilities—Columbia negotiated price concessions
from many of its suppliers, saving it millions each year. The company’s efficiencies put pressure on competing facilities to lower their costs, and insurers reported paying less for their policyholders’ care in areas where Columbia’s facilities were operating. When the company proposed cuts to nursing staff at an El Paso facility, however, physicians objected on the grounds that patient care would be compromised. As a result, the proposal was dropped.

Columbia gives some of its physicians a share in ownership of its facilities, thus enlisting their help in and commitment to generating revenues. Such physicians have been accused of sending indigent cases to nonprofit institutions and steering those who can pay or who are insured to their company’s facilities. Columbia denied this accusation.

When Columbia-HCA tried to purchase the not-for-profit South Miami Hospital and prevent it from merging with Baptist Health Systems, South Miami’s board rejected the offer. “These were not the sort of people we wanted to do business with in the long term,” said Dr. Melvin A. Mackler, chairman of South Miami’s board.

QUESTIONS

1. In what ways might Columbia-HCA’s drive for increasing efficiency and profits place patient care in its communities in jeopardy?

2. What ethical issues do you see in this case? [In October 1997, HCA announced the development of its Ethics, Compliance and Corporate Responsibility Department (EC Department), http://www.hcahealthcare.com/ethics/default.htm]

3. What issues relating to social responsibility exist for Columbia-HCA and its nonprofit rivals?

As in the previous Tenet Healthcare case, student answers will vary; however, a group or class discussion session would be appropriate for these questions.

Three Times This Week

Gloria was annoyed as she busied herself with the shop’s closing routines. Three times this week she had been approached by people wanting something from her. As a new business on the block, Gloria had little capital to spare. She did wonder if she had been a little too quick to say no to all of their requests.

The first person appeared on Monday of her fourth full week of operations. A man from the local chapter of the Knights of Columbus had asked Gloria if she would put a sign for their upcoming fundraiser in her window. Gloria had refused, stating that if she did it for him she would have to do it for all the organizations in town. Besides, it would make her window display appear unbalanced.

The second visitor was from the local chamber of commerce. It was putting together a book that would offer senior citizens discounts from various merchants around town. Gloria refused to be a part of the program because besides offering discounts, she would have to pay a $45 fee to be included in the coupon booklet.

Just this morning a third person appeared representing a local bank that she was just starting up. It was minority-owned and operated and specialized in loans to improve the property and its neighborhood and the surrounding areas. Its funds were federally insured, and it was looking for new depositors, especially the commercial and retail businesses in the community. Gloria said that her money was with a more established bank and would stay there. She was not one for taking risks and making unnecessary changes in her routines.

QUESTIONS

1. What view toward social responsibility does Gloria exhibit? Explain your position.

Gloria seems to feel that she has little or no responsibility to those outside her business. The first person to contact Gloria represented a Catholic fraternal organization and asked for window space. The sign would only be with Gloria for a week or two. The group is a special interest group and may or may not be significant in its membership in Gloria’s community. Gloria may have gained a poor reputation in the eyes of its membership and could lose customers. Such might also be the result from her interchanges with the other two groups.
Gloria is in a reactive mode, having no clear policy about how to handle outsiders’ requests for assistance. She needs a policy to guide her thinking and to determine whom she should cooperate with and whom she should turn down. She is in a community of businesses, fraternal and social organizations, and potential customers. Her reaction is to say no to outsiders’ requests on the basis of how their requests may affect her and her business. She has failed to take a broader view and to see herself and her business as part of the fabric of a community of interests. Other criteria are needed.

2. How could you help Gloria to reevaluate her three missed opportunities?

When the Knights’ representative arrived she could have spent a few moments in discussion to get to know the person and the organization. A few questions about the group would tell her how many members existed, what the group did in the community, and whether the group deserved her window space. If its funds were used to benefit its members and not the cause, she could easily say “no” gracefully, explaining her policy and avoiding ill will.

When the local chamber of commerce representative arrived, Gloria had an excellent opportunity to learn about the group, its membership’s composition, and how she could benefit from membership in it or cooperation with it. People often turn to such a group to get a recommendation about local businesses and their reputations in the community. The chambers usually work to improve the business climate and to resist regulations that can harm their members. The senior discount wave is sweeping communities all over America at present and her community may have a large senior citizen population that she may need as customers. Not being in the program, especially in a small community, may create ill will for her. As a new business, she should be anxious for any means that can create customer traffic and visibility for her shop.

The third person to visit represented a minority group that could be quite a large proportion of her community’s citizens. Its purpose is certainly a noble one and could promote the influx of additional potential customers and dollars into the area. Gloria did not explore these possibilities with the visitor. Not changing one’s routines is not a sufficient reason to reject, offhand and with the possibility of creating ill will, the requests of one who professes to serve the community in a positive way. Gloria could have easily said that she would consider the request and asked for additional information about the bank. Her decision did not have to be made immediately. Having an account with the bank could provide her with one more possible source of business and personal credit.

By creating a policy that considers those factors Gloria sees as important, Gloria can face additional future requests with a framework for decision-making. Factors she might wish to consider are:

• Who are the members of this group?
• Are these people part of my immediate community?
• What value will they provide to my business or to me, personally?
• How will the group’s efforts aid my community?
• Do I have an ethical or moral obligation to support them?
• What kind of support by me will be most beneficial?
• Do I want the community at large to know that I do or do not support this group? What may be the consequences to me and the community for either course of action?
After these questions have been explored with each group request for assistance, Gloria will be able to make an informed “yes,” “no,” or “maybe” response.

Having taken care of the reactive mode she’s in, Gloria may now move into an active planning for social responsibility mode. She can set goals for service to her community, evaluate her past performances in this area, and use the results to gain favorable publicity and customer goodwill. The results of her informal social audit each year will keep her from doing too much or not enough.

Trouble on the River

The manager for overseas operations was facing a real problem. Her company’s drilling team in the Amazon basin has just radioed a message asking for immediate help. The exploration team is in a remote area accessible only by helicopter. Their pump and water treatment equipment have quit operating and new machinery must be flown in immediately or twenty people will have no fresh water. The necessary equipment is available in a neighboring country but not in the host country. If the equipment could be flown in the problem will be solved but the host country requires a variety of import documents to be prepared and a number of government approvals to be obtained before it will allow importing of the equipment to take place. Several days may be needed to get official government clearances and then a day or two more to arrange for the airlift. Past experiences with the host country’s government tells the overseas manager that some “palms will have to be greased in order to get the approvals from various government officials.”

The overseas operations manager has a company code of ethics that specifically forbids any payments of any kind to foreign officials when such payments represent bribes. The host country has laws on its books forbidding such payments as well. U.S. law is somewhat vague on the matter because it does not involve the purchase or sale of goods.

When the overseas operations manager took the problem to her boss, a corporate vice president in charge of Latin American operations, he told her to get the needed equipment to the jungle crews as quickly as possible. He also reminded her that company policy is clear. His specific instructions to her were as follows: “Get the equipment to those people as fast as you can. I don’t want you to break any laws but you have got to move quickly. The health and sanitation needs of those people must come first. I know you can do it, that’s why we pay you so well. Don’t give me the details. Just get me the results.”

QUESTIONS

1. What are the ethical issues in this case?

   The ethical issues are as follows:
   • A need for quick action which may require law breaking.
   • A need for quick action which may require violating the company ethics code.
   • Vague directives from a higher authority—the vice president—as to the actions the overseas operations manager should take.
   • Meeting the critical needs of a remote company group for fresh water while avoiding law breaking and violations of the company’s code of ethics.

2. If you were the president of this company and discovered that the crisis was handled by
paying host-country officials to get speedy approval for importing the equipment, what would be your reaction?

Student responses will vary but will lead to many interesting discussions. Some will take a hard line and punish the manager for violating the company’s code. Others will argue that life itself was on the line and an exception had to be made. A third position may argue that the manager made assumptions that may or may not have been valid. Even though payment made to officials result in speedy approvals, this situation may have made payments unnecessary. The manager should have explored the possibility of speedy approvals happening without payments having to be made because an emergency existed.

**ON THE JOB VIDEO CASE SOLUTIONS: Greensburg KS: Ethics and CSR**

**Discussion Questions and Suggested Answers:**

1. Government officials are often referred to as “public servants.” Servants normally do what their employer wants rather than trying to get the employer to do what they want. Since the Greensburg leaders had objectives that would seem to be desirable, would that justify their focus on a leadership role rather than a servant role?

2. Suppose you own a firm that is confronted with an ethical choice. Based on your analysis, you believe that a given choice is the right thing to do, but you know that if you make that choice you will be vilified in the media, and some may boycott your firm. You can try to communicate your CSR commitment to the general public, but you feel you will not be believe. How would you resolve the problem?

3. Fred Schmalz is Mayor of Endsville. He argues that people do not agree on what is right and wrong, good and bad, ethical and unethical. As a result, when making ethical choices he tried to determine which choice will produce the most votes. That way (regardless of whether his choice is actually right), he will at least be doing what a majority things is right, and he will be able to stay in office. Comment on this approach.

The student answers to these questions will vary greatly. Similar to the critical thinking questions provided throughout the text, these questions allow students the opportunity to think in a broad, creative sense with many variables or choices for response. It is important that the instructor encourage the students to “back up” or support their answers with specific subject content from the text as well as provide a rational/logical approach to their comments.

**TEAM ACTIVITY**

Divide the class into four stakeholder groups: (1) owners and stockholders, (2) employees, (3) customers, and (4) the community or communities where the company produces and sells its goods and services.

Have each group present reasons why it should be given priority over other stakeholders in organizational decisions.

**BIZ FLIX VIDEO CASE**
Video Case: The Emperor’s Club

Video Case Synopsis

William Hundert (Kevin Kline), a professor at the exclusive Saint Benedict’s Academy for Boys, believes in teaching his students about living a principled life. He also wants them to learn his beloved classical literature. A new student, Sedgewick Bell (Emile Hirsch), challenges Hundert’s principled ways. Bell’s behavior during the seventy-third annual Mr. Julius Caesar Contest causes Hundert to suspect that Bell leads a less than principled life, a suspicion confirmed years later during a reenactment of the competition.

Mr. Hundert is the honored guest of his former student Sedgewick Bell (Joel Gretsch) at Bell’s estate. Depaak Mehta (Rahul Khanna), Bell, and Louis Masoudi (Patrick Dempsey) compete in a reenactment of the Julius Caesar competition. Bell wins the competition, but Hundert notices that Bell is wearing an earpiece. Earlier in the film Hundert had suspected that young Bell wore an earpiece during the competition, but Headmaster Woodbridge (Edward Herrmann) urged him to ignore his suspicion.

This BizFlix video case appears at the end of the film. The competition reenactment has just ended, and Bell has announced his candidacy for the U.S. Senate just before he speaks with Hundert in the bathroom. In his announcement, he carefully described his commitment to specific values he would pursue if elected.

Video Case Discussion Questions and Suggested Answers

Does William Hundert describe a specific type of life that one should lead? If so, what are its elements?

Mr. Hundert describes a life philosophy built on virtue and principled values. He describes Sedgewick Bell’s present life as one lived without virtue or principles, Bell reacts to Mr. Hundert’s observations in his typically arrogant manner. He dismisses Mr. Hundert’s observations as those of a person who does not live in the “real world.” Bell notes that one does what one needs to do to reach desired goals, which includes lying and cheating.

Does Sedgewick Bell lead that type of life? Is he committed to any specific view or theory of ethics?

Sedgewick Bell continues his fondness for unethical behavior that he displayed earlier as a young student at Saint Benedict’s Academy for Boys. Although Bell faced an ethical dilemma in his decision to cheat, his ethics view or theory lets him quickly dismiss the dilemma. He simply says, “I live in the real world … where people do what they need to do to get what they want. And if it’s lying and it’s cheating, then so be it.” Ask your students, “Do Sedgewick’s ethical standards suggest he is a symbol of a new generation of business people who will replace equally unethical figures like Bernie Madoff?”

What consequences or effects do you predict for Sedgewick Bell because of the way he chooses to live his life?

Sedgewick Bell’s political life in the U.S. Senate could backfire politically if he engages in unethical behavior. If he does not get caught, he likely will not experience much harm. If gets caught, his political career could end. Implicit in Mr. Hundert’s observations, however, is the role
of values and the effect ethical behavior has on our personal lives, our self-respect, and our well-being. Bell’s response skirts this issue and focuses on external control factors only.