

**SOLUTIONS MANUAL**



**ebert / griffin**

BUSINESS ESSENTIALS

**8e**



## RESOURCES FOR CHAPTER 2: BUSINESS ETHICS AND SOCIAL RESPONSIBILITY

The following resources are available for this chapter:

### ***Instructor Resources***

Location: Instructor’s Resource Download Center (IRC); IRC on DVD (DVD); MyBizLab; Print (P)

NOTE: To access mybizlab, please: (1) log on to your course, (2) select *Course Content*, (3) then go to *Content by Chapter/ Instructor Resources* (or *Student Resources*, if you choose). You may also select *Content by Category*, which lists all of the content we have available for the textbook.

<b><i>Resource</i></b>	<b><i>Location</i></b>
<b>Instructor’s Manual</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a> ; DVD
• Chapter Overview	Page 2-1
• List of In-Class Activities to Accompany This Chapter	Page 2-2
• List of Homework Assignments to Accompany This Chapter	Page 2-2
• Teaching Notes and Suggestions	Pages 2-3 to 2-10
• In-Class Activities	Pages 2-11 to 2-17
• Answers to End of Chapter Exercises	Pages 2-18 to 2-19
• Answers to Additional Activities on MyBizLab	
○ In-Class Self-Check	Page 2-20
○ Building Your Business Skills	Page 2-20
○ Exercising Your Ethics	Page 2-20
○ Video Case	Page 2-21
○ BizSkills: Ethics in the Workplace	Pages 2-22 to 2-23
<b>Test Bank (and TestGen)</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a> ; IRC; DVD
<b>PowerPoint Presentation</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a> ; IRC; DVD
<b>CRS PowerPoints</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a> ; IRC; DVD
<b>Video Clip: Doing the Right Thing: American Red Cross</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a>
<b>Business Plan Files</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a>
<b>WebLinks for this Chapter</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a>
<b>Image Library</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a> ; DVD
<b>BizSkills: Ethics in the Workplace</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a>

## ***Student Resources***

Location: MyBizLab, Print (P); MP3 (M)

<b><i>Resource</i></b>	<b><i>Location</i></b>
<b>Study Guide</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a> ; P
<b>Chapter Summary and Chapter Objectives</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a> ; M
<b>Pre-Test</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a> ; M
<b>Post-Test</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a>
<b>Student PowerPoints (and Audio/Narrated PowerPoints)</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a>
<b>WebLinks</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a>
<b>Video Library:</b> includes selection of videos pertinent to the chapter	<a href="http://www.mybizlab.com">www.mybizlab.com</a>
<b>End of Chapter Exercises</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a>
<b>eBook</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a>
<b>Business Plan Files</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a>
<b>Flashcards</b>	<a href="http://www.mybizlab.com">www.mybizlab.com</a>
<b>BizSkills:</b> Ethics in the Workplace	<a href="http://www.mybizlab.com">www.mybizlab.com</a>

## **Chapter 2: Business Ethics and Social Responsibility**

### **Chapter Overview**

Just because others see something as ethical, doesn't mean you will agree. There is not always a yes/no, right/wrong, black/white answer to everything. We all develop a personal code of ethics that we carry over into our jobs. Sometimes we decide what is ethical based on what is acceptable to others—even though the behavior may be unethical

This chapter presents a discussion of business ethics, the role of a formal code of ethics, as well as business approaches to social responsibility. The chapter also discusses how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors, and how issues of social responsibility and ethics affect small business.

### **Learning Objectives**

- A. Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.
- B. Distinguish social responsibility from ethics, identify organizational stakeholders, and characterize social consciousness today.
- C. Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.
- D. Identify four general approaches to social responsibility, and describe the four steps that a firm must take to implement a social responsibility program.
- E. Explain how issues of social responsibility and ethics affect small business.

## LIST OF IN-CLASS ACTIVITIES: AUTHOR'S CHOICE

Activity	Description	Time Limit	Instructor's Edition Page Reference
1. Ice-Breaker: What's Ethical in Business?	Students share their views on business ethics.	20 min.	2-4,2-11
Video Case: Doing the Right Thing: American Red Cross	A food video introduces the subject of Business Ethics and Social Responsibility.	Run time: 10:31 min. Question time: 30 min.	2-4, 2-22
2. Class Discussion: Ethical Judgment Making	Students discuss how ethical norms affect ethical judgments.	15 min.	2-4, 2-12
3. Up for Debate: Can Ethics Be Taught?	Students discuss varying opinions on ethics training as a class.	30 min.	2-6, 2-13
4. Chapter Case Discussion: Bottled Water – Money Down the Drain?	Small groups address the case discussion questions at the end of the chapter.	30 min.	2-8, 2-14, 2-15
5. Supplemental Case Study Discussion: Creative Peat at Bord na Mona	Students read a supplemental case study and discuss how it applies to chapter concepts.	30 min.	2-10, 2-16, 2-17

## LIST OF HOMEWORK ASSIGNMENTS: AUTHOR'S CHOICE

At-Home Activity	Description	Deliverable	Completion Time	Instructor's Edition Page Reference
Application Exercise 9: Social Responsibility	Students think about prioritizing various groups of stakeholders toward which an organization acts socially responsible.	A list of stakeholders and a discussion on their prioritization.	30 min.	2-6, 2-18
Application Exercise 10: Identifying Approaches to Social Responsibility	Students identify and describe at least three companies that take a defensive stance, an accommodative stance, and a proactive stance to social responsibility using various media options.	A brief paper detailing the research findings.	1 hour	2-10,2-19
BizSkill	Business Ethics and Social Responsibility	Students can test their own skill in the mini-simulation.		2-22, 2-23

# TEACHING NOTES AND SUGGESTIONS

## Section 1: Key Learning Objective A:

**Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.**

### Ethics in the Workplace

**Ethics** are beliefs about wrong and right or bad and good; **ethical behavior** conforms to individual beliefs and social norms about what is right and good. **Business ethics** refers to ethical or unethical behaviors by employees in the context of their jobs.

#### A. Individual Ethics

Ethics are based on individual beliefs and social concepts; thus, they vary by person, situation, and culture.

1. **Ambiguity, the Law, and the Real World.** Societies adopt formal laws that reflect ethical standards; however, real-world situations are sometimes difficult to interpret.
2. **Individual Values and Codes.** Individuals' personal codes of ethics are determined by a combination of factors.

#### B. Business and Managerial Ethics

**Managerial ethics** are the standards of behavior that guide individual managers in their work.

1. **Behavior toward Employees.** This category covers hiring and firing, wages and working conditions, and privacy and respect.
2. **Behavior toward the Organization.** Conflict of interest, confidentiality, and honesty are ethical issues. A **conflict of interest** occurs when an activity may benefit the individual to the detriment of the organization. Many organizations have policies that forbid buyers and other personnel from accepting gifts from suppliers or customers thus avoiding even the appearance of bribery.
3. **Behavior toward Other Economic Agents.** Ethics also comes into play in the relationship between the firm and a number of primary agents of interests, such as customers, suppliers, competitors, stockholders, dealers, and unions. In 2009 Bernard Madoff's Ponzi scheme (investment scam) cost hundreds of clients their life savings as he led them to believe that their investments were safe.

#### C. Assessing Ethical Behavior

A simple process that is often recommended when making ethical decisions is for the person to (1) gather relevant information, (2) analyze the facts to determine the most appropriate moral values and (3) make an ethical decision based on the rightness or wrongness of the proposed activity or policy. While ethical judgments are not always easy to make or even always agreed upon, this process does at least give a good starting point for an ethical decision making process.

Ethical *norms* include:

1. **Utility:** Does a particular act optimize the benefits to those who are affected by it?
2. **Rights:** Does it respect the rights of all individuals involved?
3. **Justice:** Is it consistent with what's fair?
4. **Caring:** Is it consistent with people's responsibilities to each other?

#### **D. Company Practices and Business Ethics**

Many companies set up codes of conduct and develop clear ethical positions on how the firm and its employees will conduct business.

1. **Adopting Written Codes.** Almost all major corporations have written codes of ethics.
2. **Instituting Ethics Programs.** Ethical responses can be learned through experience; companies must take the responsibility for educating employees. More and more companies, like Boeing and ExxonMobil, require managers to go through regular ethics training to remind them of the importance of ethical decision making and to update them on current laws and regulations.

#### **KEY TEACHING TIP**

Remind students that *individual ethics* vary by person, situation, and culture. What is acceptable and unacceptable is broad enough that people may develop varying behaviors without violating general standards.

#### **QUICK QUESTIONS**

- What people and experiences have helped shape your individual code of ethics?
- What are some examples of conflicts of interest?

***Use In-Class Activity 1: Ice Breaker- What's Ethical in Business?***

**Time Limit 20 Minutes**

***Use In-Class Activity 2: Class Discussion: Ethical Judgment Making***

**Time Limit 15 minutes**

#### **VIDEO: DOING THE RIGHT THING: THE AMERICAN RED CROSS**

This is a good point to show this video; it introduces topics to be covered in the chapter. See answers to discussion questions on Page 2-22 of this Instructor's Edition.

## Section 2: Key Learning Objective B:

**Distinguish social responsibility from ethics, identify organizational stakeholders, and characterize social consciousness today.**

### Social Responsibility

**Social responsibility** refers to the overall way in which a business itself tries to balance its commitments to relevant groups and individuals in its social environment.

#### A. The Stakeholder Model of Responsibility

Most companies strive to be ethically responsible to five main groups:

1. **Customers.** Critical factors include charging fair prices, honoring warranties, and standing behind product quality.
2. **Employees.** Treating workers fairly, making them a part of the team, and respecting their dignity promotes a company's reputation.
3. **Investors.** Managers must follow proper accounting procedures, provide appropriate information to shareholders, and manage the organization to protect share holder investments.
4. **Suppliers.** Partnership arrangements with suppliers can enhance market image and firm reputation.
5. **Local and International Communities.** Contributing to local and global programs has a positive impact on the community.

#### B. Contemporary Social Consciousness

Views toward social responsibility continue to evolve as managers work to meet the needs of various stakeholders in their business practices.

1. The concept of social responsibility has been developing since the days of **John D. Rockefeller, J.P. Morgan and Cornelius Vanderbilt.**
2. Unfortunately, the recent spate of **corporate scandals** colors the public's perception of business in negative hues.

### KEY TEACHING TIP

Remind students that actions deemed unethical in the United States may be ethical in other countries, and vice versa. For example, in some countries outside of the United States, bribing is acceptable and even expected in business.

### QUICK QUESTION

- How can companies benefit from adopting a written code of ethics?



***Use In-Class Activity 3: Up for Debate: Can Ethics Be Taught?***

**Time Limit 20 Minutes**

**HOMEWORK**

**Social Responsibility**

Now is a good time to assign Application Exercise 9 from the end-of-chapter materials as homework. This assignment asks students to think about prioritizing various groups of stakeholders toward which an organization acts socially responsible.

For the complete assignment instructions, see Page 35 of the textbook.

**At-Home Completion Time:** 30 minutes

## Section 3: Key Learning Objective C:

Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

### Areas of Social Responsibility

#### A. Responsibility towards the Environment

1. **Air Pollution:** Under new laws, many companies must install special devices to limit pollutants they expel into the air.
2. **Water Pollution:** Increased awareness of chemical and waste dumping and the resulting dangers has led to improved water quality in many areas of the country.
3. **Land Pollution:** Proper **toxic waste** disposal and recycling programs are allowing companies to help restore land quality and to prevent further contamination.
4. **Green Marketing.** Businesses are increasingly recognizing that looking after the environment is good marketing. As a result, businesses are now concerned with a number of environmental factors:
  1. **Production Processes:** The most ethical thing a business can do is use scarce and valuable resources well. Businesses often invest in new production technologies so that resources are used more efficiently.
  2. **Product Modification:** Products can be modified to make them more environmentally friendly. One example is of a business that only uses wood from sustainable managed forests.
  3. **Carbon Offsets:** Many companies are committed to offsetting the CO<sub>2</sub> produced by their products by buying carbon offsets. Consumers now also have the opportunity to buy carbon offsets for the air travel that they take.
  4. **Packaging Reduction:** Reducing and reusing materials is another important strategy for green marketing. For many years, The Body Shop has been a leader in this area of marketing.
  5. **Sustainability:** Using materials that are sustainable is also a strong marketing tool of many companies. Whole Foods Market is committed to using agricultural products that are sustainable.

Unfortunately, not all the green claims made by some companies are legitimate and some companies promote a green image in their advertising to increase sales without making any real changes to their operations. This is known as **greenwashing**. In 2008 the U.S. Federal Trade Commission (FTC) began a series of hearings to determine the veracity of many green marketing claims and a tightening of regulations on green marketing claims is likely. Green marketing claims often include claims about production processes,

product modifications, carbon offsets, packaging reduction and sustainability.

## **B. Responsibility toward Customers**

1. **Consumer Rights:** Consumerism is social activism dedicated to protecting the rights of consumers in their dealings with businesses.
2. **Unfair Pricing:** Collusion occurs when two or more firms agree to collaborate on wrongful acts, such as *price fixing*; *price gouging* occurs when firms respond to increased demand with steep price increases.
3. **Ethics in Advertising:** Consumers deserve to be given product information that is truthful and can be proven, as well as information that is not morally objectionable.

## **C. Responsibility toward Employees**

**Legal and Social Commitments:** Recruiting, hiring, training, promoting, and compensating are the bases for social responsibility toward employees; a **whistle-blower** is an employee who discovers and tries to end a company's unethical, illegal, or irresponsible actions by publicizing them. Most organizations now have whistleblower policies to protect whistleblowers from retaliation.

## **D. Responsibility toward Investors**

**Improper Financial Management: Insider trading** occurs when someone uses confidential information to benefit from the purchase or sale of stocks. Misrepresentation of Finances is where unethical managers project profits that they do not expect to get or hide losses and expenses incurred to boost paper profits.

## **QUICK QUESTIONS**

- What are some examples of what companies do to act in a socially responsible way toward customers? Toward employees?
- What are some ways in which organizations act in a socially responsible way toward the environment?

***Use In-Class Activity 4: Chapter Case Discussion –Bottled Water – Money Down the Drain?***  
**Time Limit 30 Minutes**

## Section 4: Key Learning Objective D:

Identify four general approaches to social responsibility, and describe the four steps that a firm must take to implement a social responsibility program.

### Implementing Social Responsibility Programs

#### A. Approaches to Social Responsibility

1. **Obstructionist Stance:** Organizations do as little as possible to solve social or environmental problems.
2. **Defensive Stance:** Organizations will do everything that is required of them legally but nothing more.
3. **Accommodative Stance:** The organization meets its legal and ethical requirements but will also go further in certain cases.
4. **Proactive Stance:** Firms that adopt this approach take to heart the arguments in favor of social responsibility.

#### KEY TEACHING TIPS

- Make sure that students understand that firms taking the *obstructionist stance* usually do as *little as possible* to solve social or environmental problems. If possible, list some examples of firms that take such a stance.
- Remind students that firms taking an *accommodative stance* meet their legal and ethical requirements and may also go further in certain cases.
- Many corporate acts of social responsibility have been court-ordered. The use of biodegradable packaging, for example, may not be the choice of individual companies but rather mandated by the government as a means to protect the environment.
- Remind students that contemporary social consciousness varies, depending on how turbulent the social, political, and economic times.

#### B. Managing Social Responsibility Programs

Managers must take steps to foster social responsibility. Such steps include:

- (1) making social responsibility a **factor in strategic planning**.
- (2) **developing a plan** detailing the level of management support.
- (3) **putting one executive in charge** of the agenda.
- (4) conducting **occasional social audits**.

### **C. Social Responsibility and the Small Business**

Small business owners are faced by the same ethical dilemmas as the large companies that we more frequently read about. It is important that small companies develop ethical policies and procedures like their larger counterparts. Small businesses can often get advice from trade organizations or state governments to help them develop ethical codes of practices.

#### **KEY TEACHING TIP**

Make sure students understand that social responsibility programs must be initiated and supported by top management; ultimately, a social responsibility program involves *everyone* in the organization.

***Use In-Class Activity 5: Supplemental Case Study Discussion –Creative Peat at Bord na Mona***

**Time Limit 30 minutes**

#### **HOMEWORK**

##### **Identifying Approaches to Social Responsibility**

Now is a good time to assign Application Exercise 10 from the end-of-chapter materials in the textbook. The assignment asks students to use newspapers, magazines, and other references to identify three companies that take a defensive stance to social responsibility, three that take an accommodative stance, and three that take a proactive stance.

For the complete assignment instructions, see Page 35 of the textbook.

**At-Home Completion Time:** 1 hour

### **C. Social Responsibility and the Small Business**

Many big-business responses to ethical and social responsibility issues apply to small businesses; differences are primarily differences of scale.

#### **KEY TEACHING TIP**

Reinforce that small-business responses to social responsibility are similar to big-business responses— the only difference is scale.

#### **BIZSKILL: ETHICS IN THE WORKPLACE**

Today's generation of students likes to learn by doing. In order to facilitate this, we offer a series of mini-business simulations to help students implement the ideas presented in the chapter into a business setting.

## IN-CLASS ACTIVITIES

### In-Class Activity 1: Ice-Breaker

#### What's Ethical in Business?

##### Activity Overview:

This exercise asks students to share their views on business ethics.

##### Time Limit:

20 minutes

##### What to Do:

1. Ask students to identify examples of recent ethical business practices. Examples: Donating a percentage of profits to charity and community causes (Ben & Jerry's donates 7 1/2 percent of pretax profits and Levi Strauss donates 2.4 percent of pretax profits to a variety of causes), encouraging employees to volunteer using paid work time (Walt Disney's VoluntEARS program), and recycling (McDonald's has an environmental protection program). (10 minutes)

2. Ask students to identify examples of recent unethical business practices. Examples: Forwarding "marketing research" results to salespeople, marketing R-rated movies to kids, and deliberately selling cigarettes or alcohol to minors. (10 minutes)

##### Don't Forget:

You might want to come prepared with numerous recent, local examples of ethical and unethical business practices to share with students.

##### Wrap-Up:

Wrap up the discussion by encouraging students to think about whether these kinds of business practices are consistent with an organization's responsibility to maximize profits, for example, which typically sparks a lively debate.

## **In-Class Activity 2: Class Discussion**

### **Ethical Judgment Making**

#### **Activity Overview:**

This activity asks students to consider ethical norms when making an ethical judgment.

#### **Time Limit:**

15 minutes

#### **What to Do:**

1. Ask students to review the ethical norms outlined in the textbook: utility, rights, justice, and caring. (5 minutes)
2. Ask students to think of an ethical situation in which these norms did or did not prevail, sharing whatever they can with the class. (10 minutes)

#### **Don't Forget:**

You might want to come to class with examples of an ethical situation illustrating each of the norms. This exercise can also be assigned as homework.

#### **Wrap-Up:**

Wrap up the discussion by reminding students that with utility, considering what is fair to all relevant parties involved is often based on perception. Further, in considering justice, considering what is consistent with what is fair can also pose challenges.

## **In-Class Activity 3: Up for Debate**

### **Can Ethics Be Taught?**

#### **Activity Overview:**

This activity asks students to share their opinions on ethics training.

#### **Time Limit:**

20 minutes

#### **What to Do:**

1. As a class, ask students to consider whether ethics can be taught. Is ethics training valuable or does ethical behavior stem more from how we are raised?
2. For those students who believe that ethics can be taught and that ethics training is valuable, allow 10 minutes for discussion.
3. For those students who believe that ethical behavior comes more from how we are raised and that ethics training really does not affect our ethical behavior in the long run, allow 10 minutes for discussion.

#### **Don't Forget:**

As students are supporting or refuting the benefits of ethics training, be sure to have them cite specific examples to back up their opinions.

#### **Wrap-Up:**

Wrap up the discussion by reminding students that companies sometimes issue written codes of ethics to ensure their ethical norms are upheld. The effectiveness of such codes of ethics often sparks lively debate as well.



## **In-Class Activity 4: Chapter Case Discussion**

### **Bottled Water – Money Down the Drain?**

#### **Activity Overview:**

For a quick review, consider breaking your class into small groups to address the case discussion questions at the end of Bottled Water- Money Down the Drain Handout. (See Pages 2-15 and 2-16)

#### **Time Limit:**

20 minutes

#### **What to Do:**

1. Divide students into groups and ask them to read the chapter case. Ask each group to prepare and present a press release on behalf of a bottled water company to respond to the criticisms being leveled against bottled water ( 20 minutes)
2. After the groups has presented, reassemble the class and discuss how green issues are affecting businesses. (10 minutes)

#### **Don't Forget:**

To ask students if they drink bottled water and whether the negative publicity will impact their purchasing decisions.

#### **Wrap-Up:**

Wrap up the discussion by reminding students to always look for the other side of the argument. Often only one side of the argument is presented and a good manager will seek out the counter arguments before rushing to make a decision.

## ***HANDOUT: BUSINESS ACCOUNTABILITY***

### **Bottled Water – Money Down the Drain?**

Bottled water is everywhere! And, up until 2007 consumption was rapidly growing in the \$11 billion industry. In fact, per capita consumption grew from less than two gallons per year to 29 gallons in 2007. However, according to the Beverage Marketing Corporate, a New York research and consulting firm, sales declined by 3.2% since 2007 and the decline has not been halted.

Bottled water companies are still trying to determine what has caused this drop in sales but there might be several causes. The first is the recession. Tap water is far cheaper and consumers may be pulling back on expenses. Single serving bottled water costs up to 4000 times more than tap water. In fact, we pay more than three times as much for bottled water than gasoline – almost \$12 per gallon!

Second, there are some health concerns. According to the Natural Resources Defense Council up to 70% of bottled water is not regulated by the Food and Drug Administration because it never crosses state lines. In addition, city water systems must report on water quality. Bottlers successfully killed this requirement for bottled water. Up to 70% of bottled water is unregulated by the Food & Drug Administration, because it never crosses state lines for sale, according to the Natural Resources Defense Council. So there may be a health cost, too. In 2008 the Environmental Working Group examined ten brands of bottled water and found that some contained mixtures of industrial chemicals that had not been safety tested.

Third there are environmental concerns. Tap water is a local product that needs no packaging. Globally, bottled water accounts for as many as 1.5 million tons of plastic waste annually, according to the Sierra Club. Making the plastic in the bottles requires 47 million gallons of oil annually. The anti-bottled water movement has a lot of momentum now, as well. There are web sites like [TakeBackTheTap.org](http://TakeBackTheTap.org), [InsidetheBottle.org](http://InsidetheBottle.org) and [ThinkOutsideTheBottle.org](http://ThinkOutsideTheBottle.org) that encourage consumers to stop drinking bottled water. Only about 20% of plastic water bottles get recycled. The rest end up in landfill or even worse, end up floating in big garbage patches in the Pacific Ocean. Publicity does not get much worse than this.

- (a) Imagine that you work in the public relations department of one of these bottled water companies. How might you respond to these criticisms? What is the other side of the story?
- (b) How are environmental issues affecting your purchasing choices?
- (c) Think of a product that you regularly purchase and consider how it might be made more environmental friendly. Perhaps you could reduce packaging, reduce transportation costs, or change the manufacturing process. What could you do?

**Sources:** Michael Santo Drought in Bottled Water Sales has Industry mystified. Huliq.com posted December 18, 2009

## **In-Class Activity 5: Supplemental Case Study Discussion**

### **Creative Peat at Bord na Mona**

#### **Activity Overview:**

This activity asks students to apply the chapter concepts to a case study.

#### **Time Limit:**

30 minutes

#### **What to Do:**

1. In advance, make copies of the Supplemental Case Study (see Page 2-18) and distribute them to students.

2. Divide students into groups and ask them to read the case and answer the questions in their small groups. (15 minutes)

- (a) How does Bord na Mona's search for new uses for peat reflect its ethical stance?
- (b) If Bord na Mona has to lay off workers as a result of further changes it makes to remain environmentally responsible, is it behaving ethically?
- (c) What options do you think the firm would have if it couldn't make money on environmentally friendly products?

3. Once students have answered the questions, discuss their answers as a class. As students discuss their answers, make sure they touch on the following points: (15 minutes)

- (a) The company appears committed to finding nonpolluting uses for its product and to protecting the boglands where it is harvested.
- (b) Answers will vary, but students should mention that the company would face a tough decision but it might legitimately make environmental responsibility a priority.
- (c) It could sell or license its new technologies to other firms as a way of earning revenue, and it could seek further cost reductions.

#### **Don't Forget:**

You may want to come to class with other examples of companies that have made strides to become environmentally friendly and in doing so have reaped profits.

#### **Wrap-Up:**

Wrap up the discussion by asking students whether they would pay more for environmentally friendly products.

## ***HANDOUT: SUPPLEMENTAL CASE STUDY***

### **Creative Peat at Bord na Mona**

Bord na Mona is an Irish institution. For over 50 years, the state-owned firm has supplied bricks of the dried plant matter known as peat, which has served as a fuel for the generating of electricity. Recently, however, the firm has begun to change direction as a result of the environmental damage caused by gathering and burning organic fuels. "Taking peat and burning it is the most unecological thing you can do with it," says Peter Foss, chairman of the Irish Peatland Conservation Council.

Bord na Mona is exploring new uses for peat, including environmentally friendly applications like soaking up chemical factory odors and filtering residential sewage in U.S. markets, such as North Carolina and California. "The big challenge is to grow the environmental business in the U.S.," says Donal Clarke, a company spokesman. "It could be enormous for us." Puraflo, which is Bord na Mona's new residential sewage filter, uses a smaller drain field than traditional septic systems and requires minimal maintenance, and it is expected to bring in more than \$4 million in revenue from the U.S. market by 2001.

During a restructuring in the 1990s, in which it also cut its workforce in half and sharply reduced its costs, Bord na Mona put its new interest in the environment into practical terms. It pledged to restore bogs after harvesting peat, promised not to excavate any new ones, and sold several already fragile sites to conservation agencies. It also bills itself as an environmental consultant and offers its commercial laboratory services to commercial and government clients. Its annual profits have since increased 35 percent to a record high of over \$12 million (on sales of \$174 million), with environmental products accounting for 9 percent of revenues, a figure Bord na Mona hopes will increase.

*Sources:* Brian Lavery, "Irish Peat Company Adapts to Change," *New York Times*, December 14, 2000, W1; [www.bordnamona.com](http://www.bordnamona.com).

### **DISCUSSION QUESTIONS**

- (a) How does Bord na Mona's search for new uses for peat reflect its ethical stance?
- (b) If Bord na Mona has to lay off workers as a result of further changes it makes to remain environmentally responsible, is it behaving ethically?
- (c) What options do you think the firm would have if it couldn't make money on environmentally friendly products?

## ANSWERS FOR END OF CHAPTER ACTIVITIES

### QUESTIONS FOR REVIEW (P. 35 OF THE TEXTBOOK)

1. Students should address the circumstances of each issue, legal implications, personal codes of ethics, and the effect of the decision on others. They should also refer to the four ethical considerations discussed in the chapter (utility, rights, justice, caring).
2. Stakeholders include customers, employees, investors, suppliers, and the firm's local communities. Most businesses should be concerned with all stakeholder groups, although areas of emphasis may differ for individual businesses.
3. The major areas include the environment, customers, employees, and investors.
4. The four basic approaches to social responsibility are:
  - **Obstructionist:** Does as little as possible to promote social responsibility.
  - **Defensive:** Meets minimal legal requirements regarding social responsibility.
  - **Accommodative:** Exceeds minimum requirements only by special request.
  - **Proactive:** Actively seeks opportunities to contribute to the social environment.
5. Answers will vary, but potential resolutions will probably range from raising the employer's awareness, to becoming a whistle-blower, to leaving the company.

### QUESTIONS FOR ANALYSIS (P. 35 OF THE TEXTBOOK)

6. Answers will vary, but students should comment that wrongdoing that directly affects an individual will likely prompt that individual to blow the whistle quickly. Wrongdoing that indirectly affects an individual or another department or division may tend to be ignored longer and least likely prompt the individual to blow the whistle.
7. Answers will vary, but many students will recognize the importance of balancing the attention given to each of the areas. Some companies, such as retailers, will affect the environment little; in these instances, students will likely recognize responsibility toward the customer as being the most important. On the other hand, many students will recognize that manufacturers need to pay particular attention to the environment in the implementation of their production processes.
8. Students should note that small businesses face the same issues as large businesses, simply on a smaller scale.

### APPLICATION EXERCISES (P. 35 OF THE TEXTBOOK)

9. **Social Responsibility.** Students should note that members of the administration will compose one group of stakeholders. Faculty and staff will compose another. Students and peers will compose a third group. Most students will prioritize according to the amount of contact they have with each of the groups.

**10. Identifying Approaches to Social Responsibility:** Students should remember that a defensive stance is one in which companies do everything that is required of them legally, but nothing more. Companies taking an accommodative stance meet their legal and ethical requirements, but also go further in certain cases. Companies taking a proactive stance will go over and beyond what is required of them in meeting the needs of stakeholders.

## **ANSWERS TO ACTIVITIES ON MYBIZLAB**

NOTE: What follows are the answers to questions and exercises that are found at [www.mybizlab.com](http://www.mybizlab.com). The exercises themselves are not included in the text.

### **ANSWERS TO IN-CLASS SELF-CHECK**

#### **Answers:**

1. b
2. d
3. False
4. True
5. d
6. c
7. a
8. d
9. False

### **ANSWERS TO BUILDING YOUR BUSINESS SKILLS FOLLOW-UP QUESTIONS**

1. Answers will vary, but students may consider such factors as the person's sense of right and wrong, desire for gain at any cost, and culture as possible factors.
2. Answers will vary, but most students will cite examples that reflect combinations of contradictory ideas.
3. Answers will vary, but students should recognize that top-management support and example are most important.
4. Students' answers will depend on who might be harmed in the lies. Students should recognize that inflating sales and revenue data on official company statements to increase stock value potentially harms stakeholders and the reputation of the company more than merely telling someone on the phone that the boss is "in a meeting" when he or she is not.

### **ANSWERS TO EXERCISING YOUR ETHICS: INDIVIDUAL EXERCISE QUESTIONS TO ADDRESS**

1. Answers will vary, but students may notice that defending social responsibility yields personal PR benefits. This also happens on a larger scale to companies that promote social responsibility.
2. Answers will vary, but many students will likely accept that businesses should act in socially responsible ways as long as such actions are in compliance with the law and meet the needs of stakeholders.
3. Answers will vary, but students should note that, unlike business, the primary purpose of these kinds of organizations is to promote the greater social well-being.

## **ANSWERS TO VIDEO CASE DISCUSSION QUESTIONS**

### ***DOING THE RIGHT THING: AMERICAN RED CROSS***

**Video Running Time:** 10:31

**Question Completion Time:** 30 minutes

1. The American Red Cross believes it can demonstrate more social responsibility to local businesses and economies by buying from local suppliers, rather than accepting donations of goods. Buying from local businesses helps keep workers employed; the suppliers of local businesses receive orders and economic benefit; and investors benefit because the companies in which they hold shares keep operating.
2. Students should be able to identify a number of ethical conflicts, such as the following two examples. The American Red Cross may come up against ethical conflicts due to cultural or religious differences between its volunteers and the organization's mission, management, and methods. Also, volunteers in the field may make decisions (such as purposely or inadvertently discriminating against someone) that put American Red Cross management in the middle of an ethical conflict.
3. The American Red Cross might arrange for unannounced audits of local chapter offices and actions. Also, it can conduct research among local stakeholders to ask about ethical issues. Students may suggest other actions as well.
4. The American Red Cross can use a variety of communication methods (such as research surveys, a feedback form on its Web site, community hearings, and so on) to learn directly from stakeholders about their needs and preferences. It can also gather information from local boards of directors, chapters, and volunteers.
5. Students who say the American Red Cross should have continued to divert some of the money for ancillary operations may argue that the organization can take a much broader view of disasters, given its decades of experience. As a result, management could anticipate, based on analogies with other disasters, the need for ancillary operations about which contributors know little. Students who say the American Red Cross was right to reverse its initial decision and apply all the donations to victims may argue that contributors intended their donations to aid victims. Using contributions to indirectly assist in disaster relief showed some disregard for donors' intentions, and, therefore, the organization was honoring its own code and restoring trust by reversing the initial decision. Ask students to consider other reasons for and against reversing the initial decision from the perspective of different stakeholders, not just donors.



## **BIZSKILLS: Ethics in the Workplace Instructor Tips**

Available at: [mybizlab.com](http://mybizlab.com)

### **Brief Synopsis/Objectives:**

In this BizSkill, students play the role of a sales rep at TechLink, a company that sells specialized software to hospitals. They're asked to try to win a \$10,000 bonus by securing the most sales, all the while in competition with an unethical competitor. At the end of the BizSkill, students should be able to answer the following questions:

1. How does having clearly defined personal ethics help you in the business world?
2. What do you do if your professional life comes into conflict with your personal ethics?

### **How to Best Use This BizSkill:**

A great way to use this BizSkill is to assign it as homework before your first lecture on the chapter. Ask students to print out their feedback page, and then have them do the BizSkill again at the end of the week to see whether their scores have improved.

### **The Final Feedback Screen:**

Students are awarded points based on their selections in the BizSkill. For this BizSkill, students receive one of three responses:

- **If the student scores 0-25 points, they receive the following response:** You scored ## points out of a possible 60, or ## percent. Although you focused on sales and winning your short-term bonus, you forgot the ethical consequences of your actions. Nicole, another rep, ended up beating both you and Drew when a loyal customer placed a huge repeat order with her. To do a better job next time, click Next to visit the resources on the next page.
- **If the student scores 26-50 points, they receive the following response:** You scored ## points out of a possible 60, or ## percent. Although you focused on sales and winning your short-term bonus, you often forgot the ethical consequences of your actions. Unfortunately, you tied Drew for first and have to split the prize—have fun with him in Rome. To truly win next time, click Next to visit the resources on the next page.
- **If the student scores 51-60 points, they receive the following response:** Congratulations! You scored ## points out of a possible 60, or ## percent. You were able to recognize that being ethical has both short- and long-term benefits. In fact, one of your loyal clients was so impressed with your customer service that she placed an order for 10 extra units, and you beat Drew handedly. To make sure you win again next year, click Next to visit the resources on the next page.

### **BizSkill Resources:**

At the end of the BizSkill, students are directed to a variety of resources:

- **Cheat Sheet:** The Cheat Sheet (shown to the right) presents students with a list of the key points made in the BizSkill.
- **Glossary Review:** The Glossary enables students to review key terms presented in the BizSkill. Key terms are tied directly to chapter content.
- **Quick Quiz:** The Quick Quiz enables students to test themselves on content related to the BizSkill.
- **Back to the Book:** This section refers students back to appropriate sections in the book for content reinforcement.

## BizSkill: Ethics in the Workplace

## Summary Sheet

### Feedback

You scored ## points out of a possible 50, or ## percent.

Although you focused on sales and winning your short-term bonus, you forgot the ethical consequences of your actions. Nicole, another rep, ended up beating both you and Drew when a loyal customer placed a huge repeat order with her. To do a better job next time, click Next to visit the resources on the next page.

### Cheat Sheet

For a Cheat Sheet of this challenge, click [here](#).

### Glossary Review

For a Glossary Review of the key terms in this challenge, click [here](#).

### Quick Quiz

For a Quick Quiz relating to this challenge, click [here](#).

### Back to the Book

<i>For more information about:</i>	<i>Go to:</i>
personal ethics	page 20 of <i>Business Essentials</i>
ethics in business	page 22 of <i>Business Essentials</i>
personal ethics meeting business ethics	page 22 of <i>Business Essentials</i>

### Cheat Sheet

- **Ethics** are the moral choices people make.
- Having a strong ethical foundation can help you achieve success in business and greater happiness in life.
- In the modern workplace, there is less distinction made between how you conduct yourself inside and outside the office.
- Conflicts can emerge when your personal ethical standards are different than those of your company.