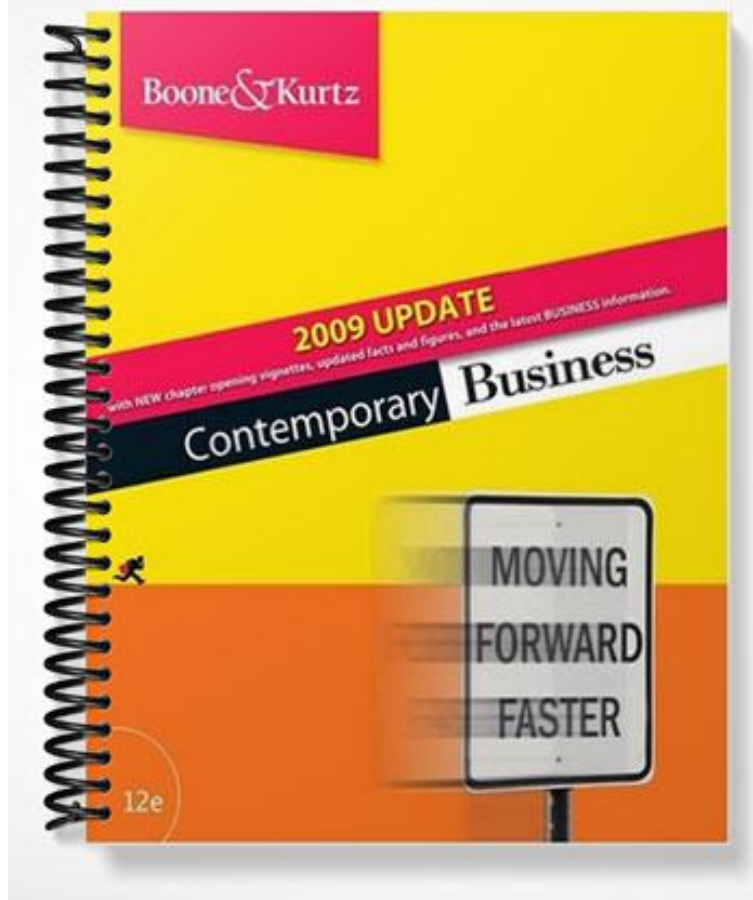


SOLUTIONS MANUAL



CONTEMPORARY BUSINESS INSTRUCTOR'S MANUAL

CHAPTER 2: BUSINESS ETHICS AND SOCIAL RESPONSIBILITY

Overview of Chapter 2

Chapter 2 explains how many companies do more than just make a profit—they find ways to give back to their customers, their environment, and their society overall. The text highlights many firms that are showing social responsibility and an understanding of business ethics through their concerns for the environment and community issues. That may mean growing more slowly or reducing profits in exchange for longer and sustained benefits.

The text goes on to point out that some of the largest corporations, however, have recently struggled with overcoming serious ethical lapses that have led to lawsuits, indictments, fines, guilty pleas, and jail sentences. The image of the CEO has fallen from admired business leader to scorned criminal due to high-profile cases of corruption and fraud.

More important was the social, moral, and ethical fallout—the devastated lives, the thousands of employees who lost their jobs, and the loss of billions of dollars in pension funds and investors' savings. It explains that as a result, extended legislation has been enacted in the attempt to set rules and standards for ethical financial reporting and decision making.

The chapter then describes the factors that influence business ethics, the stages of development in ethical standards, and common dilemmas in the workplace. It goes on to address how businesses can shape ethical behavior within the organization, and how these efforts can be measured.

Businesses large and small have been watching the news closely. So the text focuses on the responsibilities they have to their customers, employees, and the public, and why investors are concerned about ethics. Some firms have paid more attention to forming standards and procedures for ethical behavior. Others may have been forced to see the benefits of good example and the enormous impact of social responsibilities.

Of course, there have always been firms that have long believed in doing the right thing, such as Johnson & Johnson with its code of ethics that has held up for more than 50 years. But many contemporary firms continue to struggle with ways to give back to the community, society, and environment without compromising their own interests and profits.

What's New in Chapter 2

A number of revisions and new features can be seen throughout Chapter 2 in the new 12th edition. The text has been reshaped and revised based on recent news events, and all statistics have been updated using the latest reports.

New examples of real-life firms have been added throughout the chapter. Reebok set up a tracking system to monitor working conditions in factories of developing countries. Deere & Company of Illinois donated \$1.5 million worth of land and facilities to nearby Western Illinois University. Citigroup admitted to serious wrongdoing and changed its ways, including firing its executives, apologizing to its customers, and revamping its policies.

New examples have also been added to illustrate the chapter concepts, such as an explanation of the recent flu vaccine shortage as well as the pros and cons of steroid drug testing in the discussion of public health issues.

An extended section on protecting the environment expands on the concept of “green marketing,” updates information on pollution, and continues the discussion of contemporary recycling with new examples of companies finding ways to reuse electronics, computer parts, and cell phones.

Other Features and Updates in Chapter 2

- **The Opening Vignette** looks at how “Green Mountain Cares about More than Coffee” with its policies on environmental concerns and global welfare—from its customers at home to its coffee growers in other nations. It has committed itself to carefully using the world’s resources as well as safeguarding the welfare of its growers. Its introduction of coffee beans that can be grown not in full sun but in the shade—without clearing forests and destroying wildlife—is one demonstration of its commitment to the environment. With more than 7,000 wholesale clients and thousands of mail-order and Internet customers, the goodwill adds up.
- **Solving an Ethical Controversy** grabs student attention with the title, “Do You Smoke? You’re Fired,” and its discussion on how far companies can go in encouraging a nonsmoking environment and reducing health care costs. Under discussion are firms that test workers for tobacco use, randomly search their belongings for tobacco products, and more. Do businesses have the right to promote the health of workers? How far does this right extend—only within the work environment? Or beyond it? What rights to employees have regarding their own health and their own free time?
- **Hit & Miss** lists the executives recently charged with violations of corporate ethics and asks, “Where are they now?” The updated details of the crimes committed and the resulting fallout are provided in “Failure at the Top.”
- **Hit & Miss** then features “No Passport Needed to Visit the Republic of Tea.” It introduces the quirky California company and its views on the everyday practice of social responsibility. To Republic of Tea, this means

not only responsibility towards its customers and the manufacture of its product, but towards the relaxed working environment of its employees.

- **Business Etiquette** talks about “Being Considerate of Co-Workers” with 10 tips for getting along in contemporary working environments. Considering the nature of today’s office space design, the focus is on cubicle life—including ways for successfully respecting privacy, drawing the lines for personal space, and keeping down the noise while keeping the peace.
- **Case 2.1** features “U.S. Federal Sentencing Guidelines: The Carrot and the Stick,” which describes how the government has attempted to find meaningful and consistent ways to regulate ethical issues and sentence firms for ethics violations. The rules hope to balance the “stick” of penalty with the “carrot” of financial rewards.
- **Collaborative Learning Exercises** are provided in six areas: Ethics and Legality, Ethical Dilemmas, Respect, Internet Usage, Ethical Awareness, and Corporate Philanthropy.
- **Video Case 2.2 Synopsis** includes a detailed overview of the video about Ford Motor Company’s latest environmentally friendly technology.

Learning Goal 1: Explain the concepts of business ethics and social responsibility.

Key Terms

business ethics / social responsibility / individual ethics / ethical climate / codes of conduct

Class Notes / Lecture Outline

Chapter Opening	Opening Vignette – “Green Mountain Cares about More than Coffee.” <i>What specific ethical issues did this firm address head-on in its decisions about selling coffee? What type of business would have developed if the owners had ignored these issues?</i> Basic PowerPoint 1 Expanded PowerPoint 1
1. Concern for ethical and societal issues	Basic PowerPoint 2 Expanded PowerPoint 2

a. <u>Business ethics</u> are the standards of conduct and moral values governing actions and decisions in the work environment	
b. Businesses must also take into account a wide range of social issues	
i. How will a decision affect the environment?	
ii. How will it affect its customers?	
iii. Its employees?	
c. These issues are part of <u>social responsibility</u> —the philosophies, policies, procedures, and actions that enhance society’s welfare	
d. Through ethics and social responsibility, businesses find the balance between doing what is right and doing what is profitable	
2. Business ethics in practice	
a. In business, as in life, deciding what is right or wrong is not always clear cut	
b. A company has responsibilities to many groups:	
i. To its consumers	
ii. To its employees	
iii. To its investors	
iv. To society as a whole	
c. Conflicts can arise in trying to serve the different needs of each of these groups	
d. The <u>individual ethics</u> of staff at all levels, not just executives, shape a firm’s decisions and actions	
e. Business ethics are shaped by several factors:	
i. By individuals weighing what’s right and wrong before deciding or taking action	
ii. By the <u>ethical climate</u> , the prevailing combination of a company’s stated beliefs and its real actions	

iii. By a firm's <u>codes of conduct</u> , usually made up of statements in which the "right thing to do" is encouraged and applauded	
iv. By a firm's framework designed to encourage, or demand, high ethical standards from its workers	

Answers to Assessment Check

1. To whom do businesses have responsibilities? *Customers, employees, investors, and society in general.*
2. If a firm is meeting its responsibilities to others, why do ethical conflicts arise? *Ethical conflicts arise because business must balance doing what is right and doing what is profitable.*

Learning Goal 2: Describe the factors that influence business ethics.

Key Terms

Sarbanes-Oxley Act / U.S. Sentencing Commission / ethics compliance officers / intellectual property

Class Notes / Lecture Outline

1. The new ethical environment	Basic PowerPoint 3 Expanded PowerPoint 3
a. Business ethics are continually in the news—investigations, lawsuits, arrests, convictions, and business collapse due to fraud and corruption	
b. These stories may have obscured the fact that many firms are ethical	
i. One study (National Business Ethics Survey) said 80% of Americans felt that their employers kept promises and that honesty and respect were on the rise	
ii. Most business owners and managers have led companies without breaking the rules; some have created formal documents that state the company's beliefs	Figure 2.1 Johnson & Johnson's Credo. <i>To what four groups is this firm responsible? Which group was mentioned first? Last? How does this order strengthen the message in the credo?</i>

iii. General Electric's CEO says that a firm stays on the "most admired" list due to virtue, execution, growth, and great people	
c. But not all firms meet ethical standards	
i. One study (Public Agenda, Kettering Foundation) said that Americans felt greed, poor values, and disinterest in preserving jobs affected too many companies	
ii. The same study said that executives felt preserving jobs was a business issue, not an ethical issue	
2. New government regulations	
a. Sarbanes-Oxley Act	
i. <u>The Sarbanes-Oxley Act of 2002</u> was passed to set new rules for business trading and financial reporting	
ii. It establishes new regulations for securities trading and accounting practices	
iii. It requires companies to publish their code of ethics and inform public of changes in it	Expanded PowerPoint 5 & 6
iv. It forces CEOs to make sure that financial statements are accurate	
v. It may encourage companies to write codes and guidelines	
b. U.S. Sentencing Commission	Expanded PowerPoint 4
i. <u>The U.S. Sentencing Commission</u> was created by the federal government to create and enforce standards	
ii. It institutionalizes ethics compliance programs and sets high ethical standards for corporate conduct	Table 2.1 Minimum Requirements for Ethics Compliance Programs. <i>Name a company that's been in the news recently for not following one of more of these nine steps. How about a company that has followed them in a newsworthy way?</i>

3.	New ways for companies to regulate themselves	
	a. <u>Ethics compliance officers</u> are newly appointed to handle specific ethical issues:	
	i. To deter wrongdoing and upholding standards	
	ii. To train employees to spot fraud and abuse	
	iii. To investigate sexual harassment and discrimination issues	
	iv. To monitor conflicts of interest	
	b. Audit departments and financial statements are linked to ethics reviews	
	c. Most important, CEOs and top officers must now personally sign off on the accuracy of their firm's financial statements	Case 2.1 U.S. Federal Sentencing Guidelines: The Carrot and the Stick. <i>How well do these guidelines spell out the requirements for companies? How well do they encourage firms to develop effective codes of conduct and ethics policies?</i>
4.	Individuals make a difference	Basic PowerPoint 4 Expanded PowerPoint 7
	a. Individuals can affect ethical expectations and behavior	
	b. Workers create current state of individual business ethics, and some act illegally or unethically on the job	
	i. One British survey said one-third of workers spend 30 minutes of each workday on the Internet and personal business	
	ii. One poll said unethical behavior most often seen was lying, withholding information, abusing or intimidating employees, inaccurately reporting the amount of time worked, and discrimination	
	iii. Consideration of co-workers is a less urgent but growing issue of personal	Business Etiquette – “Being Considerate of Co-Workers.” <i>Of the 10 tips,</i>

ethics, particularly in tight quarters	<i>which have been most affected by new technology and current office set ups? Which will become even more important as the workplace evolves? What solutions come to mind?</i>
c. Technology expands the range and impact of an individual's unethical behavior	
i. Computers allow anyone with access to steal, change data, or shut down a system	
ii. Hackers are often employees, and inside attacks can be expensive	
iii. <u>Intellectual property</u> , such as information involving patents or copyrights, can more easily be stolen	
d. Nearly every employee wrestles with ethical questions	
i. Some rationalize questionable behavior by believing that "everyone does it"	
ii. Some act unethically when pressured or forced to meet performance quotas	
iii. Others avoid actions that don't mesh with their personal values and morals	

Answers to Assessment Check

1. What role can an ethics compliance officer play in a firm? *To deter wrongdoing and ensure that ethical standards are met.*
2. What factors influence the ethical environment of a business? *Individual ethics and technology.*

Learning Goal 3: List the stages in the development of ethical standards.

Key Terms

preconventional stage / conventional stage / postconventional stage

Class Notes / Lecture Outline

1.	Development of individual ethics	Basic PowerPoint 5 Expanded PowerPoint 8
	a. People often develop ethical standards through three steps: preconventional, conventional, and postconventional	Figure 2.2 Stages of Moral and Ethical Development. <i>Ask for an example from the news of an employee whose actions—positive or negative—reflected one of the three stages of moral development.</i>
	b. In the <u>preconventional stage</u> :	
	i. They think of their own needs and desires when making decisions	
	ii. They obey external rules due to fear of punishment or hope of reward for complying	
	c. In the <u>conventional stage</u> :	
	i. They respond based on their duty to others, including obligations to family, co-workers, and organizations	
	ii. They decide what is acceptable or not based on the influence of these groups	
	iii. Self-interest continues to play a role	
	d. In the <u>postconventional stage</u> :	
	i. They move beyond self-interest and duty by thinking of the larger needs of society	
	ii. They rely on their own ethical principles to decide what is right and to take action in all types of situations	
	iii. Their behavior represents the highest level of ethical and moral behavior	
2.	A person's stage in ethical development can be affected by a number of factors:	
	a. Life experiences	
	b. Family, educational, cultural and religious background	

c. Environment within the company	
d. Personal style, regardless of the stage of development	

Answers to Assessment Check

1. What is the preconventional stage in the development of ethical standards?
The individual looks out for his or her own interests and follows rules out of fear of punishment or hope of reward.

2. What is the difference between the conventional and the postconventional stages?
Conventional stage: the person considers the interests and expectations of others; Postconventional stage: the person considers personal, group, and societal interests.

Learning Goal 4: Identify common ethical dilemmas in the workplace.

Key Terms

conflict of interest / integrity / whistle-blowing / electronic monitoring

Class Notes / Lecture Outline

1. On-the-job ethical dilemmas	Basic PowerPoint 6 Expanded PowerPoint 9
a. Workplace decisions often affect not only an individual's future but the future of other workers, managers, and the company itself	
b. Some CEOs accused of wrongdoing in recent years have claimed they didn't know crimes were being committed— not always an effective defense	Hit & Miss – “Failure at the Top.” <i>Think of a CEO in the news who apparently failed or succeeded in demonstrating strong ethics. What level of individual ethics was involved?</i>
c. Manufacturers with overseas factories face ethics issues in responding to criticism for poor working conditions in those plants	
i. Pulling work can result in overseas workers losing their jobs	
ii. Improving working conditions abroad is often a better option	

iii. Some firms have worked with not-for-profits to track wages, air quality, and safety issues in overseas plants	
iv. Some firms have boycotted (refused to do business with) nations well-known for serious human rights abuses	
d. Ethical dilemmas in the workplace may affect many parties and may have both positive benefits and negative consequences that must be weighed	
e. Four common ethical challenges are conflict of interest, honesty and integrity, loyalty versus truth, and whistle-blowing	Figure 2.3 Common Business Ethical Challenges. Ask for examples from the news of employees who have faced one of these ethical challenges.
2. Conflict of interest	
a. A <u>conflict of interest</u> exists when a situation arises in which an action benefiting one person or group has the potential to harm another	
i. A person's own interests might conflict with those of someone to whom the person has a duty or obligation	
ii. A person may have connections with or obligations to two or more parties with opposite interests, and a strategy that helps one might hurt the other	
iii. A person's own interests might clash with those of an organization or its customers, including the receipt of gifts or bribes for special treatment	
b. Ways of handling a potential conflict of interest:	
i. Avoid it	
ii. Disclose it in advance	
3. Honesty and integrity	
a. Employers highly value honesty and integrity	
i. An employee who is honest can be expected	

to tell the truth	
ii. An employee with <u>integrity</u> goes beyond mere truthfulness by sticking to deeply felt ethical principles, and acting on them	
iii. Integrity means doing what you say you'll do and taking responsibility for mistakes	
b. Honesty and integrity inspire trust	
i. This helps build long-term relationships with customers, suppliers, employers, and the public	
ii. Employees also want their companies to treat them with honesty and integrity	
c. Workplace violations of honesty and integrity are common	
i. People misrepresent academic credentials and previous work experience on resumes	
ii. Some take home office supplies or products without permission	
iii. Many do personal business at work and often feel it doesn't affect production	
d. <u>Electronic monitoring</u> allows firms to watch for excessive or illicit Internet, email, or download use	
i. To keep client data secure and private by law, firms have upped surveillance of computer use	
ii. About 14 million people (one-third the U.S. workforce) are monitored by some form of electronic surveillance at their jobs	
4. Loyalty versus truth	
a. Businesses expect employees to be loyal and to act in the best interests of the company	
b. When the truth about a firm is not favorable, ethical conflicts arise	
i. Individuals have to decide between loyalty to the company and truthfulness	

ii. Some place high value on loyalty, even at the expense of truth	
iii. Others avoid volunteering negative comments but answer truthfully if asked	
iv. Still others value the truth and actively disclose negative information, especially concerning serious health or safety issues	
5. Whistle-blowing	
a. When a worker discovers unethical or illegal actions, he or she must decide what action to take	
i. The problem may be solved through appropriate channels	
ii. If that fails, the person may weigh the potential damage to the public good	
iii. If the damage is great, he or she may need to blow the whistle	
b. <u>Whistle-blowing</u> occurs when an employee tells company officials, government authorities, or the media of illegal, immoral, or unethical practices committed within an organization	
c. A whistle-blower must weigh a number of issues	
i. The issue may be resolved within the firm if high-level managers cooperate	
ii. A company that values ethics will try to correct a problem, staying at one that does not may not be worthwhile or possible	
d. Whistle-blowing may be the only option for workers:	
i. When they feel that the unethical behavior is causing significant damage	
ii. When they feel that this potential damage to others outweighs the risk of retaliation	
e. The risks can be real, as whistle-blowers have been fired, demoted, threatened, and harassed	
f. Now state and federal laws protect whistle-blowers	

i. The Sarbanes-Oxley Act requires that firms provide ways to anonymously report accusations of fraud	
ii. Anyone who retaliates against a whistle-blower can be prosecuted	
iii. Those who still feel they've been wrongly treated can file a complaint with the U.S. Department of Labor	
g. Not all whistle-blowing cases are simply resolved, however	
i. A 1986 law awards monetary rewards of up to 30% of recovered federal funds to whistle-blowers	
ii. Supporters of the law feel it's the only way to combat fraud in federal contracts	
iii. But the facts of the case need to be carefully analyzed before rewards are given	

Answers to Assessment Check

1. What are honesty and integrity, and how do they differ? *Honesty is the trait of telling the truth; integrity goes beyond truthfulness and means adhering to deeply felt ethical principles.*
2. How can loyalty and truth come into conflict for an employee? *When the truth about a company or situation is unfavorable.*

Learning Goal 5: Discuss how organizations shape ethical conduct.

Key Terms

corporate culture / code of conduct / ethical awareness / ethical reasoning / ethical action / ethical leadership / “best practice”

Class Notes / Lecture Outline

1. How organizations shape ethical conduct	Basic PowerPoint 7 Expanded PowerPoint 10
a. Individuals don't make decisions in a vacuum, their choices are influenced by organization standards and beliefs	
b. Most lapses reflect the values of a firm's corporate	

culture	
c. <u>Corporate culture</u> is made up of the standards of conduct seen within the working environment	
d. A corporate culture with a strong ethical climate is created on four levels: ethical awareness, ethical reasoning, ethical action, and ethical leadership	Figure 2.4 Structure of an Ethical Environment. Notice which of the four elements is on the bottom of the structure, and is the largest, and which is on the top, and smallest. Why?
2. Ethical awareness	Basic PowerPoint 8 Expanded PowerPoint 11
a. The foundation of a strong work culture is ethical awareness	
b. <u>Ethical awareness</u> is a state in which employees get help in identifying ethical problems when they occur and in understanding the firm's response	
c. A firm can give support with its <u>code of conduct</u> , a formal statement that defines how the firm expects its workers to resolve ethical questions	
i. It may, at the most basic level, just specify ground rules for acceptable behavior	
ii. It may more formally identify key corporate values and provide a detailed way to address moral and ethical issues	
iii. It may be provided to each worker in hardcopy form, a card that can be carried, or on the company Web site	
iv. It can be a company motto, mission statement, list of values and beliefs, or more detailed documents such as a policy manual or formal code of ethics	
3. Ethical reasoning	Expanded PowerPoint 12
a. Even with a code of conduct as a guide, workers need tools to help think through complex issues	
b. <u>Ethical reasoning</u> allows employees to weigh options and make suitable decisions when complicated issues come up	

c. Some firms run ethics training programs, though some question whether ethics can really be taught	
i. Workers can practice using ethical values in hypothetical situations or practical scenarios	
ii. They can then apply learned responses to real-world situations as they come up	
4. Ethical action	Expanded PowerPoint 13
a. <u>Ethical action</u> is seen when firms provide structures and approaches that show workers how to turn decisions into actions	
b. Goals set for entire business, departments, or individuals can affect ethical behavior	
i. Unrealistic goals may lead to questionable behavior as workers protect themselves	
ii. The high value on speed can create a climate that doesn't allow time for careful thought and challenges ethical behavior	
c. Companies can encourage ethical action by supporting employees facing moral dilemmas with tools like an anonymous hotline	
d. Ethics compliance officers may be made available to help workers with ethical issues	
5. Ethical leadership	Expanded PowerPoint 14
a. Through <u>ethical leadership</u> , managers not only talk about ethical behavior but also show it in their actions	
i. Leaders must be committed to a firm's core values and be willing to act on them	
ii. Leaders need to model ethical behavior by admitting mistakes and trying to correct them	
iii. Some develop " <u>best practice</u> " standards to provide models to leaders and managers	
b. Firms need to charge each employee at every level with the responsibility to be an ethical leader	

c. All workers should be made aware of problems, be encouraged to ask questions and report concerns, and be willing to defend company standards	
d. Since not all firms establish healthy guidelines, legal and governmental pressure forces companies to act responsibly	
i. When businesses fail, the law steps in to enforce standards	
ii. Legislation is in place when businesses fail to regulate themselves	
iii. Various laws focus on international businesses, small business, labor unions, banking and securities	

Answers to Assessment Check

1. What is a code of conduct? *A formal statement defining the way the organization expects and requires employees to resolve ethical questions that arise at work.*

2. How does ethical leadership contribute to ethical standards throughout a company? *Employees more readily commit to the company's core values when they see that 1) leaders and managers behave ethically, and 2) the ethics program is not a way to protect top execs from being blamed for wrongdoing.*

Learning Goal 6: Describe how businesses' social responsibility is measured.

Key Terms

social responsibility / social audits

Class Notes / Lecture Outline

1. Acting responsibly to satisfy society	Basic PowerPoint 9 Expanded PowerPoint 15
a. <u>Social responsibility</u> exists when management is willing to consider profit, consumer satisfaction, and society's well-being as equal factors when evaluating its performance	
i. Socially responsible firms not only look at traditional quantitative measures of profit and sales	
ii. They also measure qualitative dimensions	Basic PowerPoint 10

of the benefits to employees, consumers, and society	Expanded PowerPoint 16
b. Business exercises social responsibility for many reasons:	
i. Because it is required by law	
ii. Because it enhances the company's image	
iii. Because management believes that it is the ethical thing to do	
2. Measuring social responsibility	
a. Historically, firms have been measured by contribution to the economy and employment opportunities provided	
b. Profits and wages paid are still important, but other factors help to assess a firm's social performance:	
i. Providing equal employment opportunities	
ii. Respecting cultural diversity	
iii. Responding to environmental concerns	
iv. Providing a safe and healthy work environment	
v. Producing safe, high-quality products	
c. A business is also judged by its interactions with the community	
i. Some highlight their charitable contributions in annual reports	
ii. Some get involved in hands-on community service	
d. A business can judge itself through social audits	
i. <u>Social audits</u> are formal procedures that identify and evaluate company activities as they relate to social issues	
ii. These issues might include conservation, the environment, employment practices,	

and philanthropy	
iii. Social audits provide a report about how well the company is performing in these areas and where improvement can be made	
e. Outside groups also evaluate businesses	
i. Some environmental, religious, or public-interest groups create standards of corporate performance	
ii. They may make reports available to the public, publicize their results, or critique the performance of firms	
iii. Firms may be judged on their social responsibility in many areas: environment, community outreach, advancement of women and minorities, charitable giving, family benefits, or specific topics within industries (animal testing, health issues)	Figure 2.5 Responsibilities of Business. <i>How does one of the four areas of responsibility affect another? Give examples.</i>

Answers to Assessment Check

1. What is meant by social responsibility and why do firms exercise it?
Management's acceptance of its obligation to think of profit, consumer satisfaction, and societal well-being as equal in value when evaluating the firm's performance. Firms exercise it because 1) it's required by law, 2) it enhances a company's image, or 3) management believes it's ethical to do so.
2. What is a social audit? *A formal procedure to identify and evaluate all company activities that relate to social issues, such as 1) conservation, 2) employment practices, 3) environmental protection, and 4) philanthropy.*

Learning Goal 7: Summarize the responsibilities of business to the general public, customers, and employees.

Key Terms

public-health issues / fossil fuels / acid rain / pollution / recycling / green marketing / corporate philanthropy / cause-related marketing / volunteerism / consumerism / product liability / workplace safety / sandwich generation / quality-of-life issues / family leave / equal opportunity on the job / age discrimination / sexual harassment / sexism

Class Notes / Lecture Outline

1. Responsibilities to the general public	Basic PowerPoint 11
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a. Business is responsible to the public across several broad areas: public health issues, the environment, workforce quality, and social and community causes	
b. Dealing with public-health issues	Expanded PowerPoint 17-19
i. What should businesses do about <u>public-health issues</u> , including risks posed by their products?	
ii. Tobacco and alcohol are considered dangerous products that represent major health risks	
iii. Smokers are at risk for heart disease, stroke, and cancer; co-workers and families may be exposed to second-hand smoke.	
iv. Companies that make medicines and vaccines are obliged to prepare and ship them carefully and efficiently	
v. Substance abuse poses a serious health problem; drug testing leads to penalties for offenders but involves privacy issues	
c. Protecting the environment	
i. Companies need to balance energy needs and use of fossil fuels (coal and oil) with the environmental hazards they pose	
ii. Resulting sulfuric acid changes the global climate, and acid rain has already killed fish, devastated forests, and polluted water	
iii. Waste left by production can also damage the environment and overload landfills	
iv. Some products themselves are hard to reuse, particularly electronics, which contain toxic lead and mercury	
v. Few firms are equipped to handle recycled electronic materials; some refurbish junked computers and send them overseas, where they probably won't be recycled	
vi. Firms are finding ways to reduce this <u>pollution</u> and environmental damage caused by their products or operations, but	

they can be difficult and expensive	
vii. Many hope to be environmentally friendly yet profitable, by creating reusable materials and biodegradable products	
viii. <u>Recycling</u> , the reprocessing of used materials for reuse, combats pollution and conserves natural resources by providing raw materials for manufacturing	
ix. New companies and not-for-profits are born just to collect and reuse materials, including cell phones and computer parts	
x. The EPA says 40% of the lead in landfills is now from electronics or computer parts; some firms are collecting discarded parts and agreeing not to send them overseas	
xi. <u>Green marketing</u> is a strategy that promotes environmentally safe products and production methods; but to claim this firms must follow FTC guidelines and provide scientific evidence of environmental claims	Figure 2.6 FTC Guidelines for Environmental Claims in Green Marketing. <i>Have you noticed green marketing in a business you frequent or use? How accurate is the marketing campaign, based on the FTC guidelines?</i>
xii. Finding clean and renewable energy sources, beyond fossil fuels, is a growing focus for firms	
d. Developing the quality of the workforce	
i. A nation's wealth used to be based on money, production equipment, and natural resources; but people are its true wealth	
ii. An educated, skilled workforce provides the intellectual know-how needed to develop new technology, improve productivity, and compete in global markets	
iii. To compete, firms need to encourage education and fund reading and skill-building programs	
iv. Due to demand for advanced skills, the gap between highest- and lowest-paid workers is increasing	

v. The gap between salaries of college graduates and high-school graduates has widened significantly	
vi. Firms need to promote diversity by allowing women, members of all cultures, and physically challenged workers to contribute fully—and to encourage diversity in their suppliers	
vii. Some firms make up for past mistakes and commit to diversity by revising hiring policies, revamping recruiting methods, and creating scholarships for minorities	
e. Corporate philanthropy	
i. Not-for-profits serve the public and enhance quality of life globally, but they rely on financial contributions of businesses to meet their goals	
ii. <u>Corporate philanthropy</u> refers to the donation to not-for-profits of billions of dollars annually in the form of cash, free equipment and products, and employee volunteer efforts	
iii. Beyond the “feel good” aspect, it can boost employee morale, enhance company image, and improve customer relationships	
iv. <u>Cause-related marketing</u> is increasingly seen as firms align their advertising with charitable giving and corporate sponsorships	
v. One survey showed 90% of young people believed firms had a duty to support causes, and 87% would switch brands to reward one that did so	
vi. <u>Volunteerism</u> , the support of employee involvement in not-for-profits (on their own time or during work hours), makes a contribution and leads to public goodwill	
2. Responsibilities to customers	Basic PowerPoint 12 Expanded PowerPoint 20
a. Firms are obliged to treat customers fairly and act in a way that is safe and beneficial for consumers	Hit & Miss – “No Passport Needed to Visit the Republic of Tea.” <i>How does the company’s</i>

	<i>product relate to its beliefs? What type of work environment is encouraged? How is it tied in to how employees use the product?</i>
i. <u>Consumerism</u> is the public demand that a business consider the wants and needs of its customers in making decisions	
ii. Consumerism is based on the belief that consumers have certain rights—to be safe, to be informed, to choose, and to be heard	Figure 2.7 Consumer Rights as Proposed by President Kennedy. Choose one of the rights and give an example of its effect on today's marketplace. What would the market be like if this right were ignored?
b. The right to be safe	Expanded PowerPoint 21
i. All consumers have <u>the right to be safe</u> , and businesses must recognize obligations to ensure that their products operate safely	
ii. Consumers need to be sure that the products they buy won't cause injury during normal use	
iii. <u>Product liability</u> refers to the legal responsibility of manufacturers for injuries and damages caused by their products	
iv. A company must thoroughly test its products, label them with any necessary warnings, and correct or recall any product found to be dangerous	
c. The right to be informed	
i. Consumers have <u>the right to be informed</u> by having access to enough information to make responsible buying decisions	
ii. In the push for sales, a firm can easily cross the line into false or misleading advertising, which is a violation of federal law (Wheeler-Lea Act)	
iii. Truth in advertising is protected by rules and regulations set up by the FTC and	

other agencies	
iv. It's illegal for a business to make unsubstantiated claims about performance or superiority of a product	
v. It's illegal for a business to mislead consumers or make false promises	
vi. Food and drug manufacturers must follow standards for advertising, health claims, and product labeling set by the FDA (Food & Drug Administration)	
vii. All communications with customers (toll free help, salespeople's comments, invoices, warranties, labels) must be designed to clearly and accurately inform them	Figure 2.8 Wacky Warning Labels. <i>How do these examples involve the right to be informed? Are warning labels truly informative to consumers?</i>
d. The right to choose	Expanded PowerPoint 22
i. Consumers have <u>the right to choose</u> which products they need and want to purchase	
ii. Socially responsible firms try to preserve this right, even if it has a negative impact on sales and profits	
iii. This right is demonstrated when widespread public demand for safer or cheaper products is seen, such as for generic prescription drugs	
e. The right to be heard	
i. Consumers have <u>the right to be heard</u> by expressing legitimate complaints or serious concerns to appropriate parties	
ii. Some firms go to great lengths to monitor for fraudulent patterns, solicit feedback, and handle consumer complaints	
iii. Though this may not prevent all fraud, it can provide an environment in which buyers and sellers feel protected	
3. Responsibilities to employees	Basic PowerPoint 13
a. Businesses are free to attract the most skilled and	

knowledgeable employees possible	
b. But they're responsible to those workers in the U.S. and abroad in terms of workplace safety, quality-of-life issues, and in avoiding discrimination, sexism, and sexual harassment	
c. Workplace safety	Expanded PowerPoint 24
i. A century ago, workers, including young children, were viewed as cogs in the production process, and <u>workplace safety</u> was of little concern	
ii. A tragic fire in a N.Y. factory—due to overcrowding, blocked exits, and lack of fire escapes—forced businesses to provide safe conditions	
iii. OSHA (<u>Occupational Safety and Health Administration</u>) was established to set workplace safety and health standards	Expanded PowerPoint 23
iv. It creates specialized rules for specific industries	
v. It also tracks workplace accidents and can fine employers found to be liable for injuries or deaths	
vi. It protects teen workers by limiting hours of work and use of certain equipment	
vii. Though firms may complain about too many OSHA rules, they must create programs to protect workers' health and safety; some firms go further than others in their response to OSHA regulations	Solving an Ethical Controversy – “Do You Smoke? You’re Fired.” <i>How much should a company try to control worker behavior within the workplace? Outside the workplace? How much should health and safety issues affect these policies? How might a firm encourage or promote healthy behaviors without regulating them?</i>
d. Quality-of-life issues	
i. Balancing work and family is becoming harder for many employees	

ii. Time is stretched for working mothers, single parents, or those in the <u>sandwich generation</u> , who care for both young children and elderly parents	
iii. Regardless of lifestyle, many people feel that work demands too much time spent away from home and personal activities	
iv. One study (Families and Work Institute) showed 70% of male workers prefer family time over a pay raise, and 50% prefer more time over a promotion	
v. Firms are addressing <u>quality-of-life issues</u> by offering flexible hours, subsidized child care, on-site education or shopping services, and part-time arrangements	
vi. <u>Family leave</u> , up to 12 weeks of unpaid time off to deal with family matters, is offered to workers who need it	
vii. The <u>Family and Medical Leave Act</u> says firms of 50 or more must give unpaid leave to workers dealing with parenting issues, family health, or their own serious illness	
viii. Certain health benefits and a guarantee of a comparable position upon return are also required, so firms may struggle with staffing and health care costs	
e. Ensuring Equal Opportunity on the Job	Basic PowerPoint 14, 15 Expanded PowerPoint 25, 26
i. Businesses are challenged to hire and manage an increasingly diverse workforce and deal with issues of physical disability, age, and sexual orientation	
ii. This guarantee of <u>equal opportunity on the job</u> reflects the view that all people deserve the right to work in a nondiscriminatory environment	
iii. Laws have been enacted regarding civil rights, equal pay, age discrimination, and equal opportunity, pregnancy, disabilities, and veterans issues	Table 2.2 Laws Designed to Ensure Equal Opportunity. <i>Of the 10 laws listed, choose one and give an example of how it's affected the makeup of the entire U.S. workplace, or a</i>

	<i>particular industry.</i>
iv. The EEOC (Equal Employment Opportunity Commission) helps end discrimination in any work-related action based on race, color, religion, disability, gender, or national origin	
v. Workplace equality goes beyond following EEOC rules, but extends to issues of salary and promotions as well as fair treatment and personal respect	
f. Avoiding age discrimination	
i. The U.S. workforce is getting older; by 2010, more than half the workforce will be age 40 or older	
ii. <u>Age discrimination</u> occurs when workers are treated differently based on age	
iii. Firms may prefer younger workers due to lower salaries and medical costs while forgetting that older workers have skills and training that younger workers lack	
iv. The <u>Age Discrimination Act of 1968</u> protects workers age 40 or over from being treated differently or having benefits denied just based on age	
v. Firms can be liable even if age discrimination wasn't intended, but can legally use "reasonable" practices such as cost-cutting that may impact older workers	
g. Preventing sexual harassment	
i. <u>Sexual harassment</u> is unwelcome or inappropriate action of a sexual nature in the workplace	
ii. It is a form of sex discrimination that violates the Civil Rights Act of 1964 which protects both men and women	
iii. More than 15,000 complaints are filed annually; thousands more are handled internally or not reported	
iv. It occurs when a worker is pressured to comply with sexual advances or favors in	

return for a promotion, raise, or security	
v. It also occurs when an employee feels degraded or subject to a hostile work environment due to unwelcome flirting, lewd comments, or obscene jokes	
vi. The rules extend to sexually oriented materials in the workplace as well as the behavior of clients and customers of a firm	
vii. Preventing harassment and dealing with complaints can be tricky, as it involves human behavior	
viii. An effective program should include a policy statement, complaint procedure, open work atmosphere, and ways to investigate issues and discipline offenders	
h. Preventing sexism	
i. <u>Sexism</u> is a broad term applying to workplace discrimination against members of either sex, though usually women	
ii. Equal pay for equal work is a main concern	
iii. Women earn 76 cents for every dollar men earn; professional jobs have opened up for women, but comparable pay has not always kept up	
iv. Women with children earn less than childless female workers	
v. Women in most industries make less money than men who do similar of jobs	
vi. Differences in pay and promotions can lead to sex discrimination lawsuits	

Answers to Assessment Check

1. What is green marketing? *A marketing strategy that promotes environmentally safe products and production methods.*

2. What is corporate philanthropy? *A firm's contributions to charitable causes or not-for-profits, including cash contributions, donations of equipment and products, and support for volunteer efforts of employees.*

3. What are the four main consumer rights? *The right to be safe, to be informed, to choose, and to be heard.*

Learning Goal 8: Explain why investors and the financial community are concerned with business ethics and social responsibility.

Key Terms

Securities & Exchange Commission (SEC)

Class Notes / Lecture Outline

1.	Responsibilities to investors and the financial community	Basic PowerPoint 16 Expanded PowerPoint 27
	a. The main goal of a business remains to make a profit for its shareholders and investors	
	b. However, investors and the financial community expect firms to operate ethically as well as legally	
	c. Failure to act properly can result in substantial losses for investors and harm to consumers	
2.	Government's role in protecting investors	
	a. State and federal agencies are responsible for protecting investors from financial misdeeds	
	b. The <u>Securities & Exchange Commission</u> (SEC) investigates unethical and illegal behavior, suspicious accounting, or false financial reporting by public firms	
	i. Its Fair Disclosure rule says that publicly traded companies must announce information to the public first, rather than to selected investors	
	ii. The agency also targets fraud in online trading and stock sales through its Office of Internet Enforcement	
	c. The Sarbanes-Oxley Act gave the SEC the power to protect investors from unethical accounting practices	

Answers to Assessment Check

1. Why do firms need to do more than just earn a profit? *Because the law requires them to behave in a legal and ethical manner, and because investors and shareholders demand such behavior.*

2. What is the role of the Securities and Exchange Commission? *It investigates suspicions of unethical or illegal behavior by publicly traded firms.*

Answers to Review Questions

1. What do the terms “business ethics” and “social responsibility” mean? Cite an example of each. *Business ethics are the standards of conduct and moral values governing actions and decisions in the work environment (examples: a firm keeps promises, honestly reports its financial status, expects employees to report concerns over unethical behavior). Social responsibility refers to the belief system of a company as well its philosophies, policies, procedures, and actions that hope to enhance society’s welfare (examples: a firm writes a code of conduct, considers the impact on the environment before making a decision, works with community groups or charitable causes). Who are the main constituents that businesses must consider? *Consumers, employees, investors, and society as a whole.**

2. Identify and describe briefly the three stages in which individuals typically develop ethical standards. *In the preconventional stage people think of their own needs and desires and obey external rules due to fear of punishment or hope of reward. In the conventional stage they respond based on duty to others (family, co-workers, and organizations) and decide what is acceptable or unacceptable based on the influence of these groups, with self-interest still playing a role. In the postconventional stage they think of the larger needs of society, relying on their own ethical principles to decide what is right and what action to take. What are some of the factors that determine the stage of moral and ethical development an individual occupies at any given time? *Four factors are usually involved: life experiences; family, educational, cultural, and religious background; environment within the company; and personal style, regardless of the stage of development.**

3. What are the four most common ethical challenges that businesspeople face? Give a brief example of each. *Conflict of interest—deciding on a course of action when it may benefit one person or group and harm another, or when it may benefit a personal situation (examples: representing both a buyer and a seller in a real estate transaction, making a deal that’s favorable to a company in which you own stock). Honesty and integrity—deciding on whether to act on deeply felt ethical principles, beyond just telling the truth (examples: misrepresenting the facts on a job application, stealing office supplies, excessively using company computers for personal entertainment). Loyalty versus truth—deciding on whether to go to authorities with information or to protect a company (and a job) when the truth about a firm is unfavorable (examples: keeping silent when health or safety issues are at stake, such as in tainted medicine, faulty aircraft, compromised quality in food products). Whistle-blowing—deciding on whether to disclose to authorities an organization’s unethical or illegal actions (examples: neglecting to report an executive who is issuing false accounting statistics, deciding not to go to authorities when a health provider is overcharging Medicare).*

4. What are the four levels of development of a corporate culture to support business ethics? Describe each briefly. *Ethical awareness*—allows employees to get help in identifying ethical problems when they occur and in understanding the firm's response. *Ethical reasoning*—shows workers how to weigh options and make suitable decisions when complicated issues come up. *Ethical action*—provides structures and approaches that show workers how to turn decisions into actions. *Ethical leadership*—dictates that managers not only talk about ethical behavior but show it in their actions, including admitting their mistakes and trying to correct them.

5. How do organizational goals affect ethical behavior? *Unrealistic goals may lead to questionable behavior as workers protect themselves. Goals that focus on speed and tight deadlines may challenge ethical behavior when time isn't allowed for careful thought. Too much focus on goals may discourage leaders from promoting ethical action or supporting employees facing moral dilemmas (examples: workers cut corners or sign off on tasks that haven't been fully completed due to strict deadlines; employees cheat or lie in order to "meet" their unrealistic performance goals). How might these goals interfere with ethical leadership? Give an example. They can interfere with leadership when managers emphasize goals more than quality, efficiency, accuracy, and fair treatment of employees. In the rush to "get things done," leaders may set goals that are inconsistent with the ethical standards hoped for by constituents. Or they may measure progress on those goals in unfair ways. They may forget that goal setting starts at the top when the mission statement is written and distributed, then objectives are created to identify and reinforce ethical standards and appropriate behavior (example: using quotas to reward employee production regardless of quality or performance issues).*

6. What basic consumer rights does the consumerism movement try to ensure? *The right to be safe, to be informed, to choose, and to be heard. How has consumerism improved the contemporary business environment? It has increased product safety, provided information to consumers, increased competition, offered a wider variety of choices, promoted truth in advertising, and monitored for unethical activities and fraud.*

7. What are some of the major factors that contribute to the assessment of a company's social performance? *Contributing to the overall economy, providing for equal employment opportunity, respecting cultural diversity, developing the quality of the workforce, dealing with public health issues, responding to environmental concerns, providing a safe workplace, and supporting charitable or social not-for-profit organizations.*

8. Identify the major benefits of corporate philanthropy. *Pure altruism and the rewards of giving, increased employee morale, better team-building skills, enhanced company image, stronger customer relations, improved standing in the community, stronger financial support for social causes, and increased volunteerism.*

9. What are some of the responsibilities that firms have to their employees? *Promoting workplace safety, addressing quality-of-life issues, ensuring equal*

opportunity in hiring and on the job, and providing a work environment with no tolerance for age discrimination, sexual harassment, or sexism.

10. What are quality-of-life issues? *They refer to employee concerns over balancing time spent at work with time spent on personal and family issues. How can companies best meet them? By offering flexible schedules, part-time hours, subsidized child care, on-site education, and sometimes additional amenities such as shopping services or fitness programs.*

11. What laws protect employees from age discrimination? *The Age Discrimination Act of 1968 protects workers age 40 or over from being treated differently or having benefits denied just based on age. The Civil Rights Act of 1991 makes it easier for workers to sue an employer over any type of discrimination. From sexual harassment? The Civil Rights Act of 1964 protects both men and women against violations based on sexuality, including unwelcome and inappropriate actions of a sexual nature. And the Equal Pay Act of 1963 protects against sexism by requiring equal pay for men and women doing jobs that require the same skills, effort, and responsibility.*

12. How does a company demonstrate its responsibility to investors and the financial community? *One way is to produce sound profits. But shareholders, investors, and financial partners also demand that a business acts legally and ethically, treats its employees fairly, reports its earnings and losses accurately, and considers the greater good when making decisions. Failure to do so can result in substantial losses to investors as well as to consumers and the public at large.*

Projects and Teamwork Applications

1. Have students share the individual personal code of ethics that they wrote. How did the codes differ among classmates? What values or beliefs did many students stress? Which ones were left out?
2. Ask students whether they agree with the statement about how common it is to exaggerate in advertising. Is it just part of the nature of advertising to embellish and elaborate? Or can it truly be considered deception and misrepresentation?
3. Discuss the four ways to practice corporate philanthropy that the students determined, and the benefits the company as well as community would see. Did they come up with new ways to demonstrate philanthropy?
4. Ask students which responsibility to employees they chose, and have them share the memo they wrote. How far do company responsibilities extend? Where can a company draw the line?
5. Have the students discuss what their responsibilities would be regarding the employee who has HIV, as well as their responsibilities toward others in the company. How did they decide to handle this situation? How did they weigh the issues and come up with a balanced solution?

Case 2.1

“U.S. Federal Sentencing Guidelines: The Carrot and the Stick”

Answers to Questions for Critical Thinking:

1. Which do you think will be more effective in ensuring that organizations act in ethical ways, the carrot or the stick? Why? *It will be interesting to see which tactic the class as a whole considers more effective. Instructors may want to take a “carrot or stick” vote to determine the majority opinion. (If you plan ahead, you can even bring in a carrot and a stick for a humorous but visually memorable demonstration.) A good argument can be made that the stick may be most effective initially, when laws are first enacted, to demonstrate the seriousness of the issue and get companies moving in the right direction. Later, perhaps the carrot would be an appropriate follow-up approach as more companies understand the laws, comply, and look to getting some recognition or reward for being the “good guys.”*

2. Do you think the Sentencing Guidelines provide a sound basis for creating and maintaining a corporate ethics program? Why or why not? If not, how would you modify them? *Students will obviously have differing opinions on how sound and thorough the Sentencing Guidelines are. With little else to refer to for comparison, students may agree that they’re just fine. You may want to ask them a few questions. What’s missing? What specific areas of wrongdoing should be added? What topics should be given more attention? What particular actions or ethical issues can they think of from recent news events? Are these issues represented in the Sentencing Guidelines? If not, should they be?*

Hit & Miss

“Failure at the Top”

Answers to Questions for Critical Thinking:

1. Is it possible for top executives to be unaware of ongoing fraud and other crime in their firms if they are not experts in accounting, taxation, or law? *Students will probably have a lot to say about this topic, given the high-profile cases of recent years. Though it wasn’t the case in recent decades, nowadays it is the responsibility of a CEO and top execs to request information and educate themselves, even if they’re not “experts” in financial or accounting areas. You might start a discussion by comparing business leaders to others who are not “experts” in all the areas they supervise—a high school principal monitoring the activities in each classroom, a college president getting updated on each department’s curriculum decisions, a city mayor’s review of each department’s contracts.*

2. How can CEOs of large companies ensure that everyone in the organization is consistently behaving in an ethical manner? *Many will feel that, given human nature and the sheer number of individuals, this is an impossible task. Others may insist that strict rules and disciplinary actions would accomplish this. Beyond those two extremes, a CEO might set the tone for ethical behavior by writing a clear and inspiring mission statement, creating a solid code of conduct, setting up training and HR assistance programs, making sure that all leaders*

and managers understand the firm's policies and the repercussions for any violations, and communicating with all employees about these issues.

Hit & Miss

"No Passport Needed to Visit the Republic of Tea"

Answers to Questions for Critical Thinking:

1. In what way is Republic of Tea's focus on lifestyle an ethical choice the company has made? *As a firm that features products that honor "hospitality and nourishment for both body and soul," the firm has promoted a healthy and balanced lifestyle. This is an ethical choice for not only its customers but also its employees as it encourages them to focus on health, balance, and relaxation as opposed to stress, speed, and meeting deadlines. What values does this choice suggest? Physical and mental health, balance and focus, relaxed yet stimulating work environment, and quality products that are aligned with the company's philosophies and beliefs.*

2. Does the Republic of Tea demonstrate any ethical responsibilities to its employees? How? *It shows ethical responsibility when it promotes a relaxed and balanced lifestyle and encourages its employees to enjoy this in their own lives as well as at work. Its human resource policies are in line with its philosophy of promoting a balanced lifestyle, including giving employees the freedom to try the products and experience their benefits while on the job. How might that contribute to the company's success? It allows employees to feel valued, nurtured, and trusted. Employees who feel secure and appreciated usually align themselves more closely with company goals, and work harder and smarter to reach those goals.*

CHAPTER 2: COLLABORATIVE LEARNING EXERCISES

Ethics and Legality

Ethical Dilemmas

Respect

Internet Usage

Ethical Awareness

Corporate Philanthropy

1 – Ethics and Legality

Purpose:

To clarify the difference between ethical and legal behavior

Background:

Many students have never thought about laws as the "floor" for ethical behavior; some, in fact, regard laws as the standard rather than the base. The purpose of this exercise is to clarify the difference, and in doing so, to help students articulate their own personal ethical standards.

Relationship to Text:
The New Ethical Environment

Estimated Class Time:
About 10 minutes

Preparation/Materials:
None needed

Exercise:

Ask your class to identify examples of the following behaviors. You might find it helpful to present the categories on the board as quadrants, and to fill each quadrant with the examples that your students surface.

- Illegal and unethical behavior (e.g. embezzling money, sexual harassment)
- Illegal and ethical behavior (e.g. providing rock-bottom prices only to struggling wholesalers in an underserved rural area)
- Legal and unethical behavior (e.g. promoting R-rated movies to young teens, engaging in favoritism, providing sub-par health insurance)
- Legal and ethical behavior (e.g. leading by example, contributing to the local community, protecting whistleblowers)

Ask your students why and how an official, explicit code of ethics is important in encouraging employees to engage in legal and ethical behavior as a matter of course.

2 – Ethical Dilemmas

Purpose:

To stimulate discussion about the gray areas in business ethics

Background:

Many students have difficulty relating to the idea of ethical dilemmas in business, probably because the ethical meltdowns featured in the press seem so clear-cut: unscrupulous managers clearly did the wrong thing. But real world ethical dilemmas are usually not so obvious; all too often there is no resolution that will not harm some party involved in the issue. These exercises are designed to explore the gray areas, and by doing so, to help students clarify their individual ethical principles.

Relationship to Text:

On-the-Job Ethical Dilemmas

Estimated Class Time:
5-10 minutes per scenario

Preparation/Materials:

Consider making copies of the scenarios for each student...it's not crucial, but it really helps. See Appendix for a copy-friendly version.

Exercise:

Divide the class into small groups to discuss each of the scenarios below. Ask each group to reach consensus on the best approach, but when you discuss as a class, ask students to respond with their personal viewpoints. You may also want to ask them if their personal viewpoints changed based on the group discussion. Here are the scenarios:

- You've just done a great job on a recent project at your company. Your boss has been very vocal about acknowledging your work and the increased revenue that resulted from it. Privately, she said that you clearly earned a bonus of at least 10%, but due to company politics, she was unable to secure the bonus for you. She also implied that if you were to submit inflated expense reports for the next few months, she would look the other way, and you could pocket the extra cash as well-deserved compensation for your contributions. What should you do? Why?
- You are marketing director of a well-known private university. One of your managers has come to you with an innovative proposal for building "buzz" among young people. He recommends that the university marketing department host an evening—complete with punch, cookies, and music—for employees to come to the office, log onto the Web through their personal accounts, and surf a predetermined list of chat sites with "peer" recommendations to apply to the university. The marketing department would supply a list of bullet points for the employees to use as they "spread the word" about the school. Should you approve the proposal? What are the ethical implications?
- A top employee at your small company tells you he needs some time off because he has AIDS. You know the employee needs the job as well as the health insurance benefits. Providing health insurance has already stretched the company's budget, and this will send premiums through the roof. You recently read of a case in which federal courts upheld the right of an employer to modify health plans by putting a cap on AIDS benefits. Should you proactively explore this possibility for your company? What are the trade-offs? (Source: Richard L. Daft, *Management*, Sixth Edition, South-Western Publishing, 2003, page 139)
- One of the engineers on your staff has an excellent job offer from another company, and asks your advice on whether or not to

accept the position. You need him to complete a project that is crucial to your company (and to your own career). You also have been told—in strictest confidence by senior management—that when this project is complete, the company will be outsourcing the engineering function, which means that all internal engineers will be laid-off. What are your options in advising this staff member? What are the implications of each option? What is the best choice? Why?

3 – Respect

Purpose:

To encourage students to opt for self-respect over the respect of others when faced with difficult choices

Background:

This quick, discussion-based exercise is designed to encourage students to consider the long-term implications of tough ethical decisions.

Caution: This works great for some classes but is completely irrelevant or too abstract for others, so you may want to consider the chemistry of your class before you use it.

Relationship to Text:

Individuals Make a Difference

Estimated Class Time:

Less than 5 minutes

Preparation/Materials:

None needed

Exercise:

Share this quotation from Roy Rogers with your class: “I’d rather be the man who bought the Brooklyn bridge than the one who sold it.” Usually this sparks laughter and discussion, but if not, here are some starter questions:

- What does this quotation mean?
- When might this quotation apply in business? (Personnel/trust issues are a rich discussion area.)
- What are the long-term benefits of risking being perceived as foolish versus being unethical?

4 – Internet Usage

Purpose:

To highlight the growing ethical issue of surfing the Web on the company's dime

Background:

Surfing the Web for personal use is a costly problem for many employers, and it's likely to grow as the Net Generation begins to pour into the workplace. This exercise is designed to approach the issue from a business owner perspective, which may also encourage students to reevaluate their own behavior from an employee perspective.

Relationship to Text:

Honesty and Integrity

Estimated Class Time:

About 10 minutes

Preparation/Materials:

None needed

Exercise:

- Share with your class a recent survey published in Newsweek magazine about non-work-related Internet usage: 34% of employees spend between 3 and 9 hours per week on the Internet, unrelated to their jobs (that's 7-23% of a standard work week...wow!). If forced to choose between giving up coffee and giving up the Internet, 56% would give up coffee. (Source: Brad Stone, "Is the Boss Watching?" Newsweek, September 30, 2002, page 38L) Why are these numbers so high? Who pays the price?
- Divide your class into groups of 3-5. Ask each group to assume that they are business owners and they are meeting to establish a policy to control non-work-related Internet usage in light of the growing sophistication and dropping costs of software to monitor employee computer usage. Remind your students that their options range from no monitoring to complete blocking. Reconvene as a class to discuss. Questions might include:
 - What are the pros and cons of no monitoring? Of blocking measures?
 - What are the trade-offs between collegiality and productivity?
 - Are there any times when it makes sense to allow (or even encourage) employees to surf the Web for personal reasons?
 - Did the discussion change any minds on how they would handle this issue at their own companies?

5 – Ethical Awareness

Purpose:

To demonstrate the importance of a formal code of conduct

Background:

As business globalizes, the workforce for small and large companies has grown significantly more diverse, particularly in terms of culture and nationality. As a result, different workers faced with the same ethical dilemmas could take very different courses of action, each believing that he or she is making an ethical choice. A formal code of conduct resolves this problem by providing a company-wide framework for decision-making. This exercise highlights the potential differences in personal approach, which could be mitigated through a code of conduct.

Relationship to text:

Ethical Awareness

Estimated class time:

About 15 minutes

Preparation/Materials:

You may want to copy the ethics quiz for each student. See Appendix for a copy-friendly version (or simply read the questions aloud).

Exercise:

Give your students the Workplace Ethics Quiz. When they are finished, ask the class to share their answers to each question via a show of hands (encouraging them to be completely honest!). Then, share with them the answers given by the survey of a cross-section of American workers. You and they may be surprised by the magnitude of differences.

(Source: *The Wall Street Journal*, October 21, 1999, p. B1, from Ethics Officer Association, Belmont, Massachusetts; Leadership Group, Wilmette, Illinois; surveys sampled a cross-section of workers at large companies and nationwide—B&K Contemporary Marketing 11e, p. 85)

1. Is it wrong to use company e-mail for personal reasons?
Yes No
2. Is it wrong to use office equipment to help your children or spouse to do schoolwork?
Yes No
3. Is it wrong to play computer games on office equipment during the workday?
Yes No
4. Is it wrong to use office equipment to do Internet shopping?
Yes No
5. Is it unethical to blame an error you made on a technological glitch?
Yes No
6. Is it unethical to visit pornographic Web sites using office equipment?

- Yes No
7. What's the value at which a gift from a supplier or client becomes troubling?
\$25 \$50 \$100
 8. Is a \$50 gift to a boss unacceptable?
Yes No
 9. Is a \$50 gift from the boss unacceptable?
Yes No
 10. Of gifts from suppliers: Is it OK to take a \$200 pair of football tickets?
Yes No
 11. Is it OK to take a \$120 pair of theater tickets?
Yes No
 12. Is it OK to take a \$100 holiday food basket?
Yes No
 13. Is it OK to take a \$25 gift certificate?
Yes No
 14. Can you accept a \$75 prize won at a raffle at a supplier's conference?
Yes No
 15. Due to on-the-job pressure, have you ever abused or lied about sick days?
Yes No
 16. Due to on-the-job pressure, have you ever taken credit for someone else's work or idea?
Yes No

1. 34% said personal email on company computers is wrong
2. 37% said using office equipment for schoolwork is wrong
3. 49% said playing computer games at work is wrong
4. 54% said Internet shopping at work is wrong
5. 61% said it's unethical to blame your error on technology
6. 87% said it's unethical to visit pornographic sites at work
7. 33% said \$25 is the amount at which a gift from a supplier or client becomes troubling, while 33% said \$50, and 33% said \$100
8. 35% said a \$50 gift to the boss is unacceptable
9. 12% said a \$50 gift from the boss is unacceptable
10. 70% said it's unacceptable to take the \$200 football tickets
11. 70% said it's unacceptable to take the \$120 theater tickets
12. 35% said it's unacceptable to take the \$100 food basket
13. 45% said it's unacceptable to take the \$25 gift certificate
14. 40% said it's unacceptable to take the \$75 raffle prize
15. 11% reported that they lied about sick days
16. 4% reported that they have taken credit for the work or ideas of others

6 – Corporate Philanthropy

Purpose:

To clarify the importance of corporate philanthropy as a tool to both serve the community and build profitability

Background:

Some students might argue that extensive corporate philanthropy is a paternalistic approach to serving the community. Wouldn't it make more sense for companies to distribute that money to stockholders so that they could choose the organizations and causes to support (a form of trickle-down philanthropy)? One response could be that well-executed corporate philanthropy not only builds employee morale and burnishes a company's image, but also builds long-term profits. For example, Richard Branson created a highly successful chain of car lots in England that plant trees for each car you purchase in order to compensate for the pollution that your car will generate. This exercise is designed to explore how that could happen across a range of businesses.

Relationship to Text:

Corporate Philanthropy

Estimated Class Time:

About 15 minutes

Preparation/Materials:

None needed

Exercise:

Divide your class into teams of 3-5 students. Direct each team to develop a focused philanthropy program for each of the following businesses, with the goal of both serving the community AND building long-term profits. Ask them to be prepared to explain how their program would achieve these goals.

- A major city newspaper (e.g. supporting a literacy program)
- An advertising agency (e.g. donating work to showcase creative)
- An ophthalmologist office (e.g. collecting used glasses for poor countries)
- A supermarket (e.g. donating 3% of each single tab above \$200 to a food bank)

Reconvene to discuss as a class. You may be pleasantly surprised by the creativity of the responses.