

SOLUTIONS MANUAL



Management 9^e



Schermerhorn

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Chapter 2:

MANAGEMENT ETHICS AND SOCIAL RESPONSIBILITY

CHAPTER 2 STUDY QUESTIONS

In studying this chapter, students should consider the following questions:

1. What is ethical behavior?
2. How do ethical dilemmas complicate the workplace?
3. How can high ethical standards be maintained?
4. What is social responsibility and governance?

CHAPTER 2 LEARNING OBJECTIVES

After completing this chapter, students should be able to:

- Define ethics.
- List and explain four views of ethical behavior.
- Differentiate between cultural relativism and universalism in international business ethics.
- Define an ethical dilemma.
- List at least three ethical problem areas common in the workplace.
- List four common rationalizations for unethical behavior.
- Explain how ethics are influenced by the person, the organization, the environment.
- Define the term whistleblower.
- List three organizational barriers to whistleblowing.
- Compare and contrast ethics training, codes of ethical conduct, and ethical role models as methods for encouraging ethical behavior in organizations.
- Differentiate between amoral, immoral, and moral management.
- Describe ethics mindfulness and how moral management can shift an organization's ethics center of gravity.
- Define the term social responsibility.
- Summarize arguments for and against corporate social responsibility.
- Identify four criteria for measuring corporate social performance.
- Explain four possible social responsibility strategies.
- Define corporate governance and discuss its importance in organization–society relationships.

CHAPTER 2 OVERVIEW

Ethical behavior and corporate social responsibility are critical issues for contemporary managers. This chapter seeks to make students aware of various ethical dilemmas they may face in their careers while encouraging them to adopt high ethical standards. It also examines the role of social responsibility and governance in contemporary business.

The chapter begins by defining key terms such as ethics and ethical behavior before considering these terms in a managerial context. The utilitarian, individualism, moral-rights, and justice views of ethical behavior are examined next. Opposing viewpoints on the relationship between culture and ethics are identified, as is the notion of universal ethical values for guiding the operations of multinational companies. Ethical dilemmas faced by managers are then described, along with four rationalizations for unethical behavior. The person, the organization, and the environment are discussed as factors influencing ethical behavior. Also considered are various approaches for maintaining high ethical standards, including ethics training, whistleblower protection, managers as ethical role models, and codes of ethics. The differences between immoral, amoral, and moral managers are examined.

From here, the focus of the chapter shifts to the related topic of corporate social responsibility. The stakeholder model is introduced as a useful way for viewing corporate social responsibility efforts. Also provided is a summary of the beliefs that guide socially responsible business practices. The arguments “against” and “for” social responsibility as well as four criteria for evaluating social performance also are discussed. A continuum reflecting different strategies of social responsibility is also presented. Finally, consideration is given to the social responsibility and organizational performance impacts of both boards of directors via corporate governance and the company’s managers via daily activities.

CHAPTER 2 LECTURE OUTLINE

Teaching Objective: To expose students to the issues of managerial ethics and organizational social responsibility and to encourage them to adopt high ethical standards. In your discussion of these issues, be sure to stress the long-term benefits of ethical behavior and corporate social responsibility.

Suggested Time: Two hours of class time are typically required to present the material in this chapter.

- I. Study Question 1: What is ethical behavior?**
 - Laws, values, and ethical behavior
 - Alternative views ethics
 - Cultural issues in ethical behavior
- II. Study Question 2: How do ethical dilemmas complicate the workplace?**
 - Ethical dilemmas at work
 - Rationalizations for unethical behavior
 - Factors influencing ethical behavior
- III. Study Question 3: How can high ethical standards be maintained?**
 - Ethics training
 - Whistleblower protection
 - Ethical role models
 - Codes of ethical conduct

Moral management

IV. Study Question 4: What is corporate social responsibility?

Stakeholder issues and analysis

Perspectives on corporate social responsibility

Evaluating corporate social performance

Role of corporate governance

CHAPTER 2 SUPPORTING MATERIALS

Textbook Inserts*The Topic*

- Burt's Bees — Is There a Right Way to Make Money?

Figures

- Figure 2.1: Four Views of Ethical Behavior
- Figure 2.2: Cultural Relativism and Ethical Imperialism in International Business Ethics
- Figure 2.3: Factors Influencing Ethical Managerial Behavior — the Person, Organization, and Environment
- Figure 2.4: Moral Management and the Ethics Center of Gravity in the Organization
- Figure 2.5: Multiple Stakeholders in the Environment of the Organization
- Figure 2.6: Criteria for Evaluating Corporate Social Performance
- Figure 2.7: Four Strategies of Corporate Social Responsibility — From Obstructionist to Proactive Behavior
- Ethics self-governance in leadership and the managerial role

Thematic Boxes

- Insights: Help Make the World a Better Place
- Issues and Situations: Ethics Training
- Management Smarts 2.1: Checklist for Dealing with Ethical Dilemmas
- Real Ethics: Resume Lies
- Kaffeeklatsch: Day of Reckoning
- Research Brief: Issue Management Pacesetter Influence Pharmaceutical Industry's Response to AIDS in Africa

Applications

- Self-Test 2
- Case 2: Tom's of Maine
- Team Project: Cheating on Campus
- Personal Management: Individual Character

Next Steps Management Learning Workbook

Self-Assessments

- Terminal Values (#5)
- Instrumental Values (#6)
- Diversity Awareness (#7)
- Internal/External Control (#26)

Experiential Exercises

- Confronting Ethical Dilemmas (#6)
- What Do You Value in Work (#7)
- Case of the Contingency Workforce (#22)

CHAPTER 2 LECTURE NOTES

THE TOPIC on pages 30 and 31 describes the success of Burt's Bees and its founder Roxanne Quimby. Quimby says it's impossible to separate her pursuit of profits from the principles that guide her. Ask students to consider which principles might have guided her to the big decisions described in The Topic: Using eco-friendly packaging, moving the company to business-friendly North Carolina, starting a children's clothing company that uses organic cotton, buying 40,000 acres of Maine wilderness to prevent development, and selling 80 percent of her share of Burt's Bees to AEA Investors for \$177 million.

ENHANCEMENT

You can start out the discussion of this chapter by asking students to identify examples of ethical and unethical business practices that they have read about, heard about, or personally witnessed or experienced. Ask the students how these practices seem to have been viewed by the public at large. Also have the students discuss how these practices seem to have affected the organization and relevant stakeholders in both the short term and the long term.

To bring ethical and unethical behavior closer to home, discuss students' behavior within the college/university context. Topics may include cheating, adherence to campus regulations, maintenance of the physical environment, or unauthorized use of materials or equipment.

STUDY QUESTION 1: WHAT IS ETHICAL BEHAVIOR?

Ethics can be defined as the code of moral principles that sets standards of good or bad, or right or wrong, in one's conduct and thereby guides the behavior of a person or group

Ethical behavior is behavior that is accepted as "good" and "right" as opposed to "bad" or "wrong" in the context of the governing moral code.

LAW, VALUES, AND ETHICAL BEHAVIOR

Legal behavior is not necessarily ethical behavior. Behavior might be legal but that does not ensure that it is ethical.

What one considers to be ethical varies according to personal **values** — the underlying beliefs and attitudes that help determine individual behavior.

Types of values that influence ethical judgments:

- **Terminal values** are preferences about desired end states.
- **Instrumental values** are preferences regarding the means for accomplishing desired ends.

ALTERNATIVE VIEWS OF ETHICAL BEHAVIOR.

FIGURE 2.1 on page 33 of the text illustrates the four views of ethical behavior.

Utilitarian view — ethical behavior is that which delivers the greatest good to greatest number of people.

Individualism view — ethical behavior is that which best serves long-term self-interests.

Moral-rights view — ethical behavior is that which respects and protects the fundamental rights of all people.

Justice view — ethical behavior is that which is impartial and fair in treating people according to legal rules and standards.

- **Procedural justice** — the degree to which policies and rules are fairly administered.
- **Distributive justice** — the degree to which people are treated the same regardless of individual characteristics based on ethnicity, race, gender, age, or other particularistic criteria.
- **Interactional justice** — the degree to which others are treated with dignity and respect.

ENHANCEMENT

Ask students for examples of each of the above views of ethical behavior. These can be either hypothetical examples or situations they have encountered in their own lives. Ask them to indicate which view they think is the most useful in business, and why. Also ask them to indicate which view they think is the most useful in their personal lives, and why. Compare and contrast the two sets of answers, exploring the nature and reasons for any differences in the two sets.

CULTURAL ISSUES IN ETHICAL BEHAVIOR

Ethical management in a global environment is challenged by the complexities of different cultures and value systems throughout the world.

Cultural relativism is the notion that there is no one right way to behave and that ethical behavior is always determined by the cultural context.

Universalism suggests if a behavior is not acceptable in one's home environment, it shouldn't be acceptable practice anywhere else.

Critics claim universalism is a form of **ethical imperialism**, or the attempt to externally impose one's ethical standards on others.

FIGURE 2.2 on page 35 of the text contrasts cultural relativism and universalism.

Business ethicist Thomas Donaldson argues instead that certain fundamental rights and ethical standards, or "hyper-norms" should transcend cultural boundaries. Even with a commitment to the core values underlying a trans-cultural ethical umbrella, international business behaviors can be tailored to local and regional cultural contexts.

STUDY QUESTION 2: HOW DO ETHICAL DILEMMAS COMPLICATE THE WORKPLACE?

ETHICAL DILEMMAS AT WORK

An **ethical dilemma** occurs when someone must choose whether or not to pursue a course of action that, although offering the potential of personal or organizational benefit or both, may be considered unethical.

Potential sources of ethical dilemmas include:

- discrimination
- sexual harassment
- conflicts of interest
- customer confidence
- organizational resources

According to a *Harvard Business Review* survey, many ethical dilemmas involve conflicts with superiors, customers, and subordinates. The managers' bosses sometimes pressure them to engage in unethical behaviors.

INSIGHTS on page 36 of the text describes the success of Ben & Jerry's. The organization succeeded on the concept of "linked prosperity."

ENHANCEMENT

A good way to get students thinking about ethical dilemmas and to generate a lively discussion is to ask students how they would respond to the following three dilemmas. The range of student responses is likely to be quite broad. Next, you can present the results of the *Harvard Business Review* survey from which they were taken.

Case 1: foreign payment. A governmental official of a foreign nation asks you to pay a \$200,000 consulting fee. In return for the money, the official promises special assistance in obtaining a \$100 million contract that would produce at least a \$5 million profit for your company. The contract will probably go to a foreign competitor if not won by you. **Survey results:** 42% of the responding managers would refuse to pay; 22% would pay, but consider it unethical; 36% would pay and consider it ethical in a foreign context.

Case 2: competitor's employee. You learn that a competitor has made an important scientific discovery. It will substantially reduce, but not eliminate, your profit for about a year. There is a possibility of hiring one of the competitor's employees who knows the details of the discovery. **Survey results:** 50% would probably hire the person; 50% would not.

Case 3: expense account. You learn that a manager in your company who earns \$50,000 a year has been padding his expense account by about \$1,500 a year. **Survey results:** 89% feel padding is okay if superiors know about it; 9% feel it is unacceptable regardless of the circumstances.

(Source: Brenner, S.N., and Mollander, E.A. "Is the Ethics of Business Changing?" *Harvard Business Review*, January-February 1977, Volume 55, p. 60.)

RATIONALIZATIONS FOR UNETHICAL BEHAVIOR

Convincing yourself that the behavior is not really illegal. This rationalization is particularly common in ambiguous situations. A good rule of thumb is “When in doubt, don’t do it.”

Convincing yourself that the behavior is in everyone’s best interest. This rationalization involves the mistaken belief that because someone may benefit, the behavior is also in the interest of the individual or the organization. When asking “How far can I push matters to obtain this performance goal?” the best answer is “Don’t try to find out.”

Convincing yourself that nobody will ever find out what you’ve done. This argument assumes no crime is committed unless it is discovered. To deter this view, make sure that sanctions for wrongdoing are public.

Convincing yourself that the organization will “protect” you. This implies the organization will condone the practice, but organizational norms should not be put above the law or social morality.

ENHANCEMENT

Ask students for examples of rationalizations for unethical behavior that they have used themselves or have observed others using. Discuss the individual and organizational effects of these rationalizations.

FACTORS INFLUENCING ETHICAL BEHAVIOR

ISSUES AND SITUATIONS on page 38 of the text discusses the outcomes of ethics training. The Ethics Resource Center finds that no more than 55 percent of persons that observe unethical acts actually report them

Increased awareness of typical influences on ethical behavior can help you better deal with future ethical pressures and dilemmas.

FIGURE 2.3 on page 39 of the text illustrates factors influencing ethical managerial behavior – the person, organization, and environment.

Factors influencing ethical managerial behavior

- **The person:** Family influences, religious values, personal standards, and personal needs, financial and otherwise, will help determine a person’s ethical conduct in any given circumstance. Those with solid *ethical frameworks*, personal rules or strategies for ethical decision making, will be more consistent and confident. Personal values that give priority to such virtues as honesty, fairness, integrity, and self-respect provide *ethical anchors* that help people make correct decisions even when circumstances are ambiguous and situational pressures are difficult.
- **The organization:** Bosses can have a major impact on their subordinates’ behaviors through their requests, and which actions are rewarded or punished. Peers and group norms have a similar impact. Formal policy statements and written rules are also helpful.

- **The environment:** Organizations operate in competitive environments influenced by government laws and regulations as well as social norms and values. Laws interpret social values to define appropriate behaviors for organizations and their members; regulations help governments monitor these behaviors and keep them within acceptable standards. The climate of competition in an industry also sets a standard of behavior for those who hope to prosper within it. The *Sarbanes-Oxley Act* of 2002 now makes it easier for corporate executives to be tried and sentenced to jail for financial misconduct.

STUDY QUESTION 3: HOW CAN HIGH ETHICAL STANDARDS BE MAINTAINED?

ETHICS TRAINING

Ethics training refers to structured programs that help participants understand the ethical aspects of decision making, and help people incorporate high ethical standards into their daily behaviors. Ethics training helps people deal with ethical issues while under pressure.

MANAGEMENT SMARTS 2.1 on page 41 of the text provides a checklist for dealing with ethical dilemmas.

- Recognize the ethical dilemma.
- Get the facts.
- Identify your options.
- Test each option: Is it legal? Is it right? Is it beneficial?
- Decide which option to follow.
- Double-check with the spotlight questions: “How would I feel if my family finds out about my decision?” “How would I feel if my decision is printed in the local newspaper?”
- Take action.

ENHANCEMENT

Ask small groups of students to identify an ethical dilemma that commonly occurs for students as they pursue their educations. Each group should focus on a different dilemma. Then have each group discuss how their dilemma should be handled, given the checklist contained in *Management Smarts 2.1*

WHISTLEBLOWER PROTECTION

A **whistleblower** is a person who exposes the misdeeds of others in organizations to preserve ethical standards and protect against wasteful, harmful, or illegal acts.

Federal and state laws increasingly offer whistleblowers some protection from retaliatory discharge. Still, legal protection can be inadequate

Organizational barriers to whistleblowing include:

- A strict chain of command that makes it difficult to report unethical practices to higher-level managers.
- Strong work group identities that encourage loyalty and self-censorship.
- Ambiguous priorities that make it difficult to distinguish right from wrong.

Top reasons for not reporting wrongdoing are

- The belief that no corrective action would be taken.
- The fear that reports would not be kept confidential.

ENHANCEMENT

Ask students to describe what they would do if they happened to be in a situation where they could become whistleblowers. Then share the following practical tips for whistleblowers:

1. Do make sure you really understand what is happening and that your allegation is absolutely correct.
2. Don't assume the law automatically protects you.
3. Do talk to an attorney to ensure that your rights will be protected and proper procedures are followed.
4. Don't talk first to the media.
5. Do keep accurate records to document your case; keep copies outside of your office.
6. Don't act in anticipation of a big financial windfall if you end up being fired.

ETHICAL ROLE MODELS

Because top managers serve as role models, their behavior can either encourage or discourage unethical behavior.

Although top managers have a special responsibility for setting the ethical tone of an organization, all managers are in a position to influence the ethical behavior of the people who work for and with them.

Too much pressure to accomplish goals that are too difficult can also encourage unethical behavior.

Part of any manager's ethical responsibility is to be realistic in setting performance goals for others.

CODES OF ETHICS

A **code of ethics** is a formal statement of an organization's values and ethical principles that provide guidelines on how to behave in situations susceptible to ethical dilemmas.

Most codes of ethical conduct identify expected behavior in terms of

- General organizational citizenship
- The avoidance of illegal or improper acts in one's work
- Good relationships with customers.

Areas often covered in written codes of ethics include the following:

- Bribes and kickbacks.
- Political contributions.
- Honesty of books or records.
- Customer-supplier relationships.
- Confidentiality of corporate information.

Ethical codes cannot cover all situations; nor are they automatic insurance for universal ethical conduct.

REAL ETHICS on page 43 of the text describes how companies are carefully checking resumes for lies. The two most common are out-of-work cover-up and inflated credential.

MORAL MANAGEMENT

An **immoral manager** chooses to behave unethically.

An **amoral manager** fails to consider the ethics of his or her behavior, but does so unintentionally.

A **moral manager** makes ethical behavior a personal goal.

FIGURE 2.4 on page 44 of the text illustrates moral management and the ethics center of gravity in organization.

Ethics mindfulness is enriched awareness that leads to consistent ethical behavior.

Moral managers are leaders with ethics mindfulness. By communicating ethical values and serving as ethics role models, they can help move the ethics center of gravity of the whole organization in a positive direction.

STUDY QUESTION 4: WHAT IS SOCIAL RESPONSIBILITY AND GOVERNANCE?

Social responsibility is an obligation of the organization to act in ways that serve both its own interests and the interests of society at large.

STAKEHOLDER ISSUES AND ANALYSIS

Organizational stakeholders are those persons, groups, and other organizations directly affected by the behavior of the organization and holding a stake in its performance.

FIGURE 2.5 on page 45 of the text describes the multiple stakeholders in the environment of an organization.

Commonly-cited stakeholders are:

- employees
- customers
- suppliers
- owners
- competitors
- regulators
- interest groups

KAFFEEKLATSCH on page 46 of the text discusses the collapse of Enron. Ask students what types of managers Kenneth Lay and Jeffrey Skilling were: immoral, amoral or moral. Also, consider the impact on each set of Enron stakeholders.

PERSPECTIVES ON CORPORATE SOCIAL RESPONSIBILITY

Two contrasting view of corporate social responsibility have stimulated debate in academic and public-policy circles.

- The *classical view* of corporate social responsibility holds that management’s only responsibility in running a business is to maximize profits.
- The *socioeconomic view* of corporate social responsibility holds that management of any organization must be concerned with the broader social welfare and not just with corporate profits.

The arguments of the classical view “against” social responsibility and the arguments of the socioeconomic view “in favor of” social responsibility are summarized below.

Arguments against corporate social responsibility	In favor of corporate social responsibility
Reduced business profits.	Will add long-run profits for businesses.
Higher business costs.	Improve public image of businesses.
Dilution of business purpose.	Help businesses to avoid more governmental regulation.
Too much social power for businesses.	Businesses have the resources and ethical obligation to act responsibly.
Lack of business accountability to the public.	

In today’s world, the public at large expects businesses and other organizations to act with genuine social responsibility.

Research indicates that high performance in social responsibility can be associated with strong financial performance and, at worst, has no adverse financial impact. Indeed, evidence suggests there is a *virtuous circle* regarding the relationship between improved financial performance and additional emphasis on corporate social responsibility.

EVALUATING CORPORATE SOCIAL PERFORMANCE

A **social responsibility audit** is a systematic assessment and reporting of an organization’s accomplishments in various areas of corporate social responsibility.

Social performance is driven by either *compliance* (i.e., acting to avoid adverse consequences) or *conviction* (i.e., acting to create positive impact).

FIGURE 2.6 on page 47 of the text links compliance and conviction with four criteria for evaluating corporate social performance.

The audit of corporate social performance might include questions posed for each criterion:

- Is the organization’s *economic responsibility* met? Is it profitable?
- Is the organization’s *legal responsibility* met? Does it obey the law?
- Is the organization’s *ethical responsibility* met? Is it doing the “right” things?

- Is the organization's *discretionary responsibility* met? Does it contribute to the broader community?

FIGURE 2.7 from the text describes four strategies of social responsibility in terms of level of commitment to social responsibility. These strategies are:

- The **obstructionist strategy** (“fight the social demands”) meets the organization's economic responsibility.
- The **defensive strategy** (“do the minimum legally required”) meets the organization's economic and legal responsibilities.
- The **accommodative strategy** (“do the minimum ethically required”) meets the organization's economic, legal, and ethical responsibilities.
- The **proactive strategy** (“take leadership in social initiatives”) meets all the criteria of social performance — economic, legal, ethical, and discretionary responsibilities.

ENHANCEMENT

Discuss ways in which businesses can protect the environment and save money at the same time, such as grocery stores selling low-priced canvas bags to replace paper or plastic ones; coffee shops encouraging patrons to bring in their own cups; and fast food restaurants providing recycling bins so customers can sort their trash. Ask students for other examples.

ROLE OF CORPORATE GOVERNANCE

Corporate governance is the oversight of the top management of an organization by a board of directors. Governance typically involves hiring, firing, and compensating the CEO; assessing strategy; and verifying financial records.

Considerable pressure exists for corporate governance to be the key guarantor that businesses and other organizations are run properly.

RESEARCH BRIEF on page 49 of the text describes the Issues Pacesetters Model in which an organization addresses an external issue in a unique way and other organizations follow the lead. Ask students to think of areas in which their college could be a pacesetter.

When governance is weak and corporate scandals occur, sometimes the government will step in with laws such as the Sarbanes-Oxley Act.

FIGURE 2.8 on page 50 of the text illustrates ethics self-governance in leadership and the managerial role. While working to fulfill our accountability for achieving performance objectives, we must be certain to do so in an ethical and socially responsible manner.

CHAPTER 2 STUDY QUESTIONS SUMMARY

Study Question 1: What is ethical behavior?

- Ethical behavior is that which is accepted as “good” or “right” as opposed to “bad” or “wrong.”

- Because an action is not illegal does not necessarily make it ethical in a given situation.
- Because values vary, the question “What is ethical behavior?” may be answered differently by different people.
- The utilitarian, individualism, moral-rights, and justice views offer alternative ways of thinking about ethical behavior.
- Cultural relativism argues that no culture is ethically superior to any other; universalism argues that certain ethical standards apply everywhere.

Study Question 2: How do ethical dilemmas complicate the workplace?

- Ethical managers can have a positive impact on other people at work and on the social good performed by organizations.
- An ethical dilemma occurs when someone must decide whether to pursue a course of action that, although offering the potential for personal or organizational benefit or both, may be unethical.
- Managers report that their ethical dilemmas often involve conflicts with superiors, customers, and subordinates over such matters as dishonesty in advertising and communications, as well as pressure from bosses to do unethical things.
- Common rationalizations for unethical behavior include believing the behavior is not illegal, is in everyone's best interests, will never be noticed, or will be supported by the organization.

Study Question 3: How can high ethical standards be maintained?

- Ethics training can help people better deal with ethical dilemmas in the workplace.
- Whistleblowers expose the unethical acts of others in organizations, even while facing career risks for doing so.
- Top management sets an ethical tone for the organization as a whole, while all managers are responsible for acting as positive models of ethical behavior.
- Written codes of ethical conduct formally state what an organization expects of its employees regarding ethical behavior at work.
- Amoral managers disregard the ethics of their actions or decisions; immoral managers intentionally choose to behave unethically.
- Moral managers consider ethical behavior a personal goal; their actions can shift the ethics center of gravity in organizations in a positive direction and strengthen ethics mindfulness by others.

Study Question 4: What is social responsibility and governance?

- Social responsibility is an obligation of the organization to act in ways that serve both its own interests and the interests of its many stakeholders.
- An organization's social performance can be evaluated on how well it meets economic, legal, ethical, and discretionary responsibilities.
- Corporate strategies in response to demands for socially responsible behavior include obstruction, defense, accommodation, and proaction, with more progressive organizations taking proactive stances.
- Corporate governance is the responsibility of a Board of Directors to oversee the performance by top management of a firm.
- Managers should exercise ethical self-governance by making sure that performance is achieved with commitments to high ethical standards and by socially responsible means.

CHAPTER 2 KEY TERMS

Accommodative strategy (p. 48): a social responsibility strategy that meets the organization's economic, legal, and ethical responsibilities by "doing the minimum that is ethically required."

Amoral manager (p. 43): a manager who fails to consider the ethics of his or her behavior, but does so unintentionally.

Code of ethics (p. 42): a formal statement of an organization's values and ethical principles that provide guidelines on how to behave in situations susceptible to ethical dilemmas.

Corporate governance (p. 48): the oversight of the top management of an organization by a board of directors.

Cultural relativism (p. 34): the notion that there is no one right way to behave and that ethical behavior is always determined by the cultural context.

Defensive strategy (p. 48): a social responsibility strategy that meets the organization's economic and legal responsibilities by "doing the minimum that is legally required."

Distributive justice (p. 34): concern that people are treated the same regardless of personal characteristics.

Ethical behavior (p. 32): behavior that is accepted as "good" and "right" as opposed to "bad" or "wrong" in the context of the governing moral code.

Ethical dilemma (p. 36): a situation wherein someone must choose whether or not to pursue a course of action that, although offering the potential of personal or organizational benefit or both, may be considered unethical.

Ethical imperialism (p. 35): the attempt to externally impose one's ethical standards on others.

Ethics (p. 32): the code of moral principles that sets standards as to what is good or bad, or right or wrong, in one's conduct and thereby guides the behavior of a person or group.

Ethics mindfulness (p. 44): enriched awareness that leads to consistent ethical behavior.

Ethics training (p. 41): structured programs that help people to understand the ethical aspects of decision making and to incorporate high ethical standards into their daily behavior.

Immoral manager (p. 43): a manager who chooses to behave unethically.

Individualism view (p. 34): ethical behavior is that which best serves long-term self-interests.

Instrumental values (p. 33): preferences regarding the means for accomplishing desired ends.

Interactional justice (p. 34): the degree to which others are treated with dignity and respect.

Justice view (p. 34): ethical behavior is that which is impartial and fair in treating people according to legal rules and standards.

Moral manager (p. 44): a manager who makes ethical behavior a personal goal.

Moral-rights view (p. 34): ethical behavior is that which respects and protects the fundamental rights of people.

Obstructionist strategy (p. 48): a social responsibility strategy that meets the organization's economic responsibility by "fighting social demands."

Organizational stakeholders (p. 44): those persons, groups, and other organizations directly affected by the behavior of the organization and holding a stake in its performance.

Proactive strategy (p. 48): a social responsibility strategy that meets the organization's economic, legal, and discretionary responsibilities by "taking leadership in social initiatives."

Procedural justice (p. 34): the degree to which policies and rules are fairly administered.

Social responsibility (p. 44): the obligation of an organization to serve its own interests and those of society.

Social responsibility audit (p. 47): a systematic assessment and reporting of an organization's resource commitments and action accomplishments in various areas of corporate social responsibility.

Terminal values (p. 33): preferences about desired end states.

Universalism (p. 34): the ethical position that suggests if a behavior is not acceptable in one's home environment, it shouldn't be acceptable practice anywhere else.

Utilitarian view (p. 33): ethical behavior is that which delivers the greatest good to the greatest number of people.

Values (p. 33): the underlying beliefs and attitudes that help determine individual behavior.

Whistleblower (p. 41): individuals who expose the misdeeds of others in organizations to preserve ethical standards and protect against wasteful, harmful, or illegal acts.

SUGGESTED TEAM EXERCISE

This exercise can have two benefits: helping students develop their resumes and getting them talking about crossing ethical lines. Ask students to bring several copies of their resumes to class. Then, in groups, hand out the resumes so that each member of the group has one copy of each member's resume. Then have each group member try to "improve" the resume by adding strong, action verbs (such as collaborate, conduct, delegate, design, execute, gain, generate, negotiate, resolve, research) and making the person's qualifications sound more impressive. Once everyone's resume has been critiqued, hand them back to their owners. Still in groups, have each student discuss which changes are ethical for them to make and which ones go too far and why. Have groups report to the class any extremes they discovered.

REVIEW QUESTIONS FOR CASE 2: TOM'S OF MAINE

1. Which way of thinking about ethical behavior best describes Tom's of Maine and its founder, Tom Chappell?

Tom's of Maine has a strong code of moral principles that set standards of appropriate behavior for its employees. Although not specifically mentioned in the case, this most likely includes obeying legal requirements, but numerous examples show that it goes beyond mere adherence to the law.

The best fit with the chapter's views of ethical behavior is the moral rights view. The company's mission statement discusses respect for employees and the need for meaningful work and fair pay. It is also concerned with the quality of their work life, through such programs as flexible scheduling, subsidized day care, individual assistance in education and training, and even healthy snacks. The emphasis on volunteer work could be seen as an extension of workers' right to feel that they are making a meaningful contribution to society. The company takes its philosophy a step further, believing that customers also have rights — to a high quality, effective product (the recall of honeysuckle deodorant may be used as an example: it didn't hurt anyone, and it worked for half the customers, but the company felt that this was not sufficient, despite the costs and potential negative publicity of a recall).

Students may also advocate the utilitarian view. Tom's is providing the greatest good for the greatest number of people. Its concern is not necessarily for current profits (the financial

good of the owners). It is willing to provide support services for employees that may or may not result in a company payback of improved productivity. For instance, the volunteer program may have contributed to greater employee productivity as a result of enhanced employee morale, but it still had substantial costs (20 employee-days/month, as well as the position of Vice President for Community Life). The company also looks at benefits to customers, and to the physical environment (which affects us all) in developing its products. The “good” to a variety of stakeholders is considered.

Tom Chappell can be seen as having the individualism view of ethical behavior, both for himself and for his company. He takes the long-term view of what's best for the company, as in the case of the product recall —an ineffective product may do little if any harm in the short run, but potentially could affect consumers' views, thereby implicating other new products as ineffective. Neither Tom nor the company is following a pecuniary ethic, although most of the time his ideas are very successful and do make money for the company. He sees his long-term self-interest as succeeding in business without compromising his principles. The company also takes a long-term view. It, however, is concerned with being a good citizen of society rather than with more typical corporate behavior of self-interest.

There is not much evidence in the case on the justice view of ethical behavior, particularly in an employee justice sense. The company does not, in fact, practice distributive justice. People with different needs are treated differently — given individualized help in getting their high school equivalency; provided with subsidized daycare (probably of little benefit to a 50-year-old employee); and encouraged to take paid time to volunteer if, and only if, desired. The company probably does display procedural justice, fair administration of policies and rules, but there are no specifics in the case to back this up.

Although discussed above under the individualism ethic, students may argue that Tom Chappell's personal view is either based on moral rights or is utilitarian, for reasons very similar to the arguments concerning the company's views.

2. How important were Tom Chappell's personal views in helping Tom's of Maine to be successful?
3. Define which “strategy” for social responsibility Tom Chappell seems to follow. Explain your answer.

Tom's personal views formed the basis of the company's product line. His (and his wife's) concern for effective, natural, environmentally friendly products created the rapid growth of the 1970s and 1980s. These views of the company's product line have continued to the present, as evidenced by their inclusion in the mission statement.

Tom's time at the Harvard Divinity School did not appear to change his personal values, but did enable him to express them in ways that could be communicated more effectively to his employees. The mission statement for Tom's of Maine was a formal document that specified the company's responsibilities to its employees, customers, owners, and the community and world. It serves as a formal code of ethics. It is consistent with the information about the company's activities prior to 1986. It is also consistent with Tom's personal concern for

succeeding as a business, by operating according to his principles. There are several quotes in the second half of the case that students may cite as evidence that he understands the business implications of his (and the company's) decisions. He would rather have a smaller group of customers who appreciate the products' benefits to themselves and society, instead of changing the products or marketing to reach a wider market.

Tom and his top management lead by example. His business decisions, as discussed above, reflect both his personal values and the company's mission statement. As CEO, he has created a position at the top level of the company (vice president) to coordinate and develop Tom's of Maine's role in the outside community. He and top management also set examples for employees by: making corporate donations and providing tangible benefits designed to meet employees' needs. Tom also set an example with the creation of the Saltwater Institute.

SUPPLEMENTAL QUESTIONS:

4. Tom's of Maine is passionate about wellness. Many organizations have begun to push for wellness among employees. These programs help employees get healthy while lowering health-care costs for the organization. Do you see any ethical issues raised by this trend of organizations getting involved in the lives of their employees?
Suggested answer: There's no correct answer to the question, but students may enjoy debating the location of the fine line between taking a personal interest in the well-being of employees and violating their right to privacy.
5. To maintain its high standards, Tom's of Maine needs to hire moral managers. Consider what types of questions the organization might make part of their interview process in seeking to hire moral employees.
Suggested answer: This question should get students thinking of how to measure someone's morals. Answers will vary but could include answers such as giving the applicant a hypothetical situation without a clear-cut moral answer or asking the applicant about difficult moral decisions in the past.