

*	Name of the Centre	: DDU-KAUSHAL Kendra
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	Course code	: AT17401, TMEEE17401
	Name of the Course:	Business Ethics and Business Environment (General Component)
	Semester	: IV
	Faculty Name	: Dr. Mrs. S. Jayalakshmi
	Designation	: Assistant Professor

Unit- II : Managing Ethics

Managing Ethics & Diversity

1. Read Chapter & Review Slide Deck
2. Complete assigned task on end-of-chapter activity (argue case in class using appropriate chapter concepts)
3. Engage class in ethical reasoning activities regarding business ethics situations (no advanced preparation)
4. Complete Starbucks Case on Corporate Social Responsibility, Sustainability & Social Audits (Teams)
5. Complete in-class activity “Joseph and the Company Party” (Kingston-Case, no advanced preparation)
6. Watch S.A.S. Video Case (10 mins) & comment based on key concepts from chapter.

Learning Outcomes

- Be able to illustrate how ethics help managers determine the right way to behave when dealing with different stakeholder groups
- Understand & be able to explain convincingly why managers should behave ethically and strive to create ethical organizational cultures
- Appreciate the increasing diversity of the workforce and of the organization environment

Learning Outcomes

- Be able to grasp the central role that managers play in the effective management of diversity and business ethics
- Understand why the effective management of diversity is both an ethical and a business imperative
- Understand and explain the significance of corporate social responsibility, sustainability and social and environmental audits to today's businesses.

The Nature of Ethics

- **Ethics:** Inner-guiding moral principles, values, and beliefs that people use to analyze or interpret a situation and then decide what is the “right” or appropriate way to behave
- **Ethical dilemma:** Quandary people find themselves in when they have to decide if they should act in a way that might help another person or group even though doing so might go against their own self-interest

Stakeholders and Ethics

- **Stakeholders:** People and groups that supply a company with its productive resources and so have a claim on and stake in the company
- Stakeholders can directly benefit or be harmed by an organizations actions, the ethics of a company and its managers are important to them

What Is Ethics?

- **Ethics** - accepted principles of right or wrong or good and bad that govern
 - the conduct of a person
 - the members of a profession
 - the actions of an organization
- **Business ethics** - accepted principles of right or wrong governing the conduct of business people
- **Ethical strategy** - a strategy, or course of action, that does not violate these accepted principles

What are Ethical Dilemmas?

- **Ethical dilemmas** - situations in which none of the available alternatives seems ethically acceptable
 - real-world decisions are complex, difficult to frame, and involve consequences that are difficult to quantify
- the right course of action is not always clear
 - May be little or no agreement on accepted ethical standards or principles
 - May be agreement on issue but little agreement on what to do
 - May be situations where none of the alternative courses of action are fully ethical acceptable
- Need a moral compass but what should that look like?

Use and Abuse of Business Power

Business Power

- The ability or capacity to produce an effect or to bring influence to bear on a situation or people.

Iron Law of Responsibility

- In the long run, those who do not use power in a manner society considers responsible will tend to lose it.

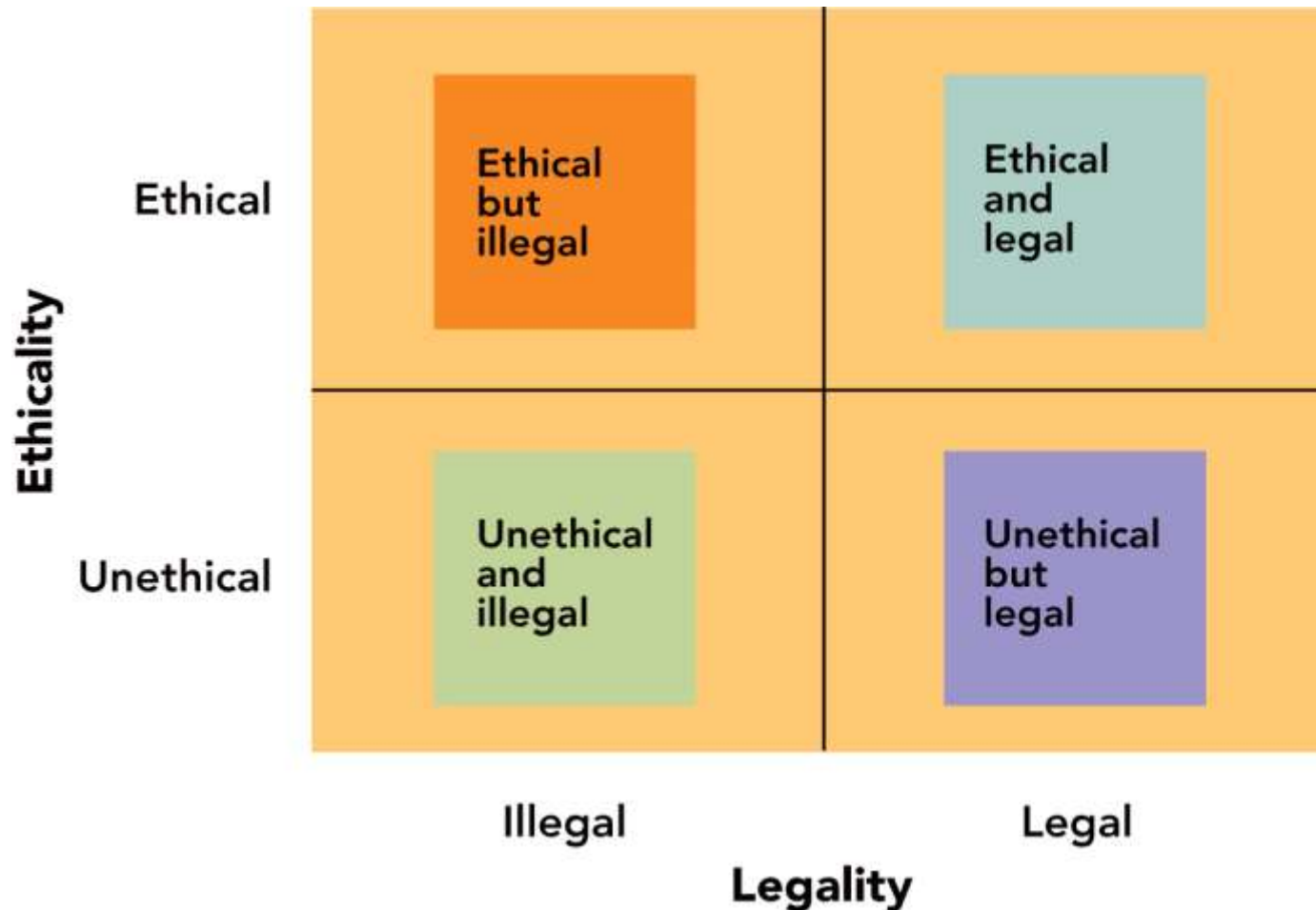
Questions?

1. How much moral divergence is acceptable?
2. What role does company play if practices tolerated? How far should company go re: discovery? Is failure to do anything tacit support?
3. Who is responsible? What is the obligation to use business power and how should it be used in the business society relationship?
4. What can be done to change the situation positively?
5. Are there policies in place to deal with problems before they emerge or once they have emerged?

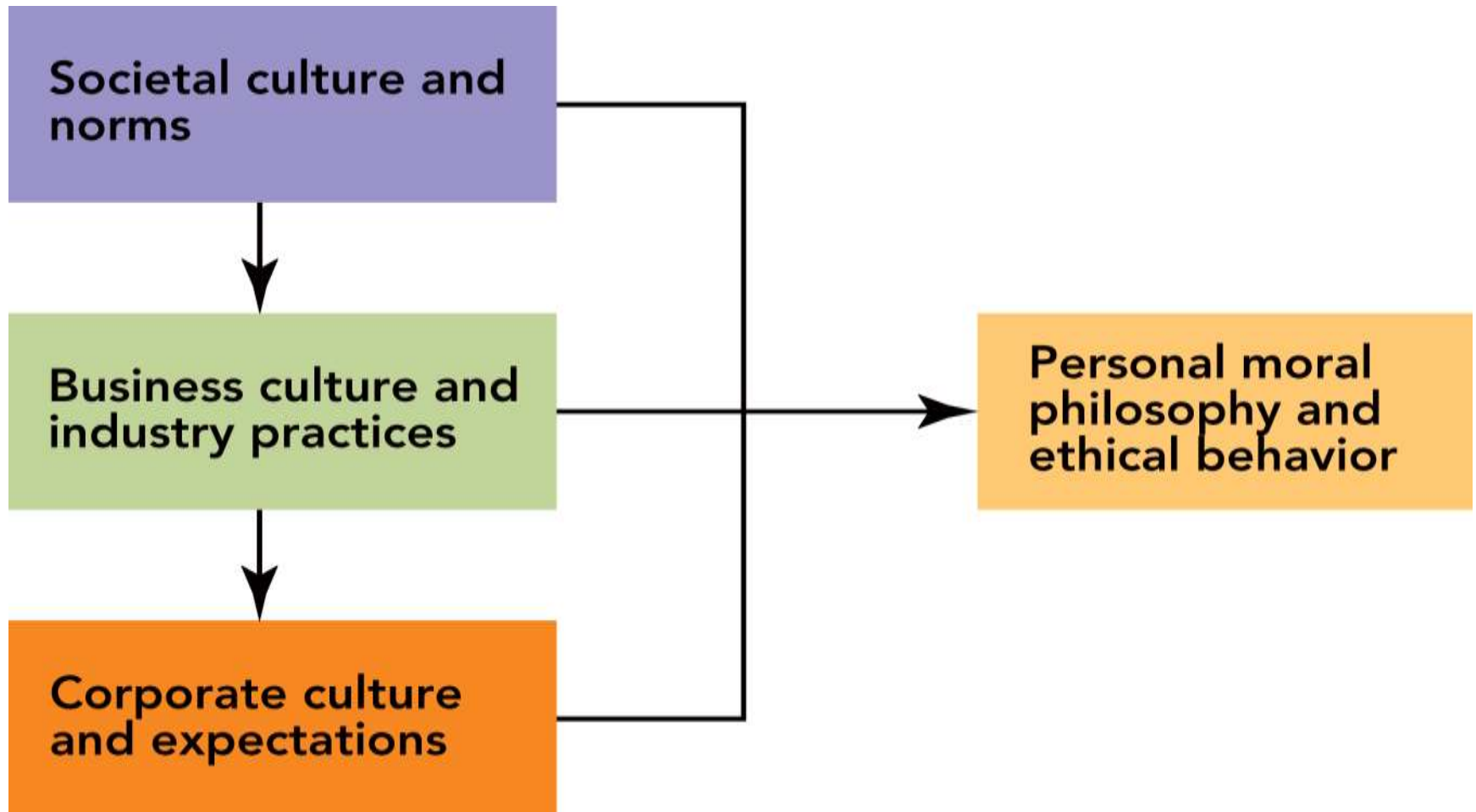
Note: Power is itself morally neutral: How *power* is used is what matters. It can be used in a positive way to increase social welfare and sustainability or it can be used in a manner that is ethically & morally suspect.

What's a Business to Do?!!

Consider against scenarios



A Framework



Elements of the Social Contract

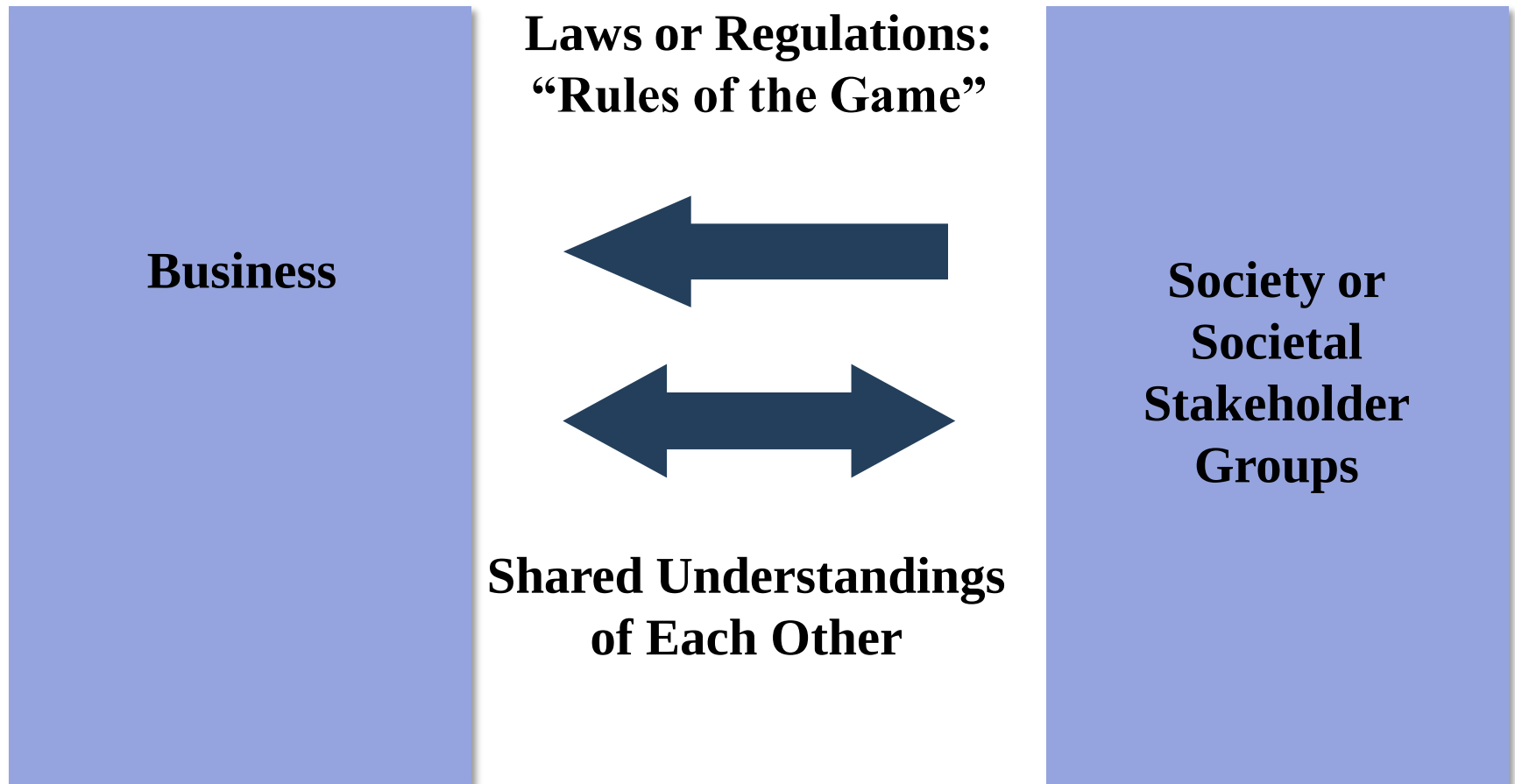
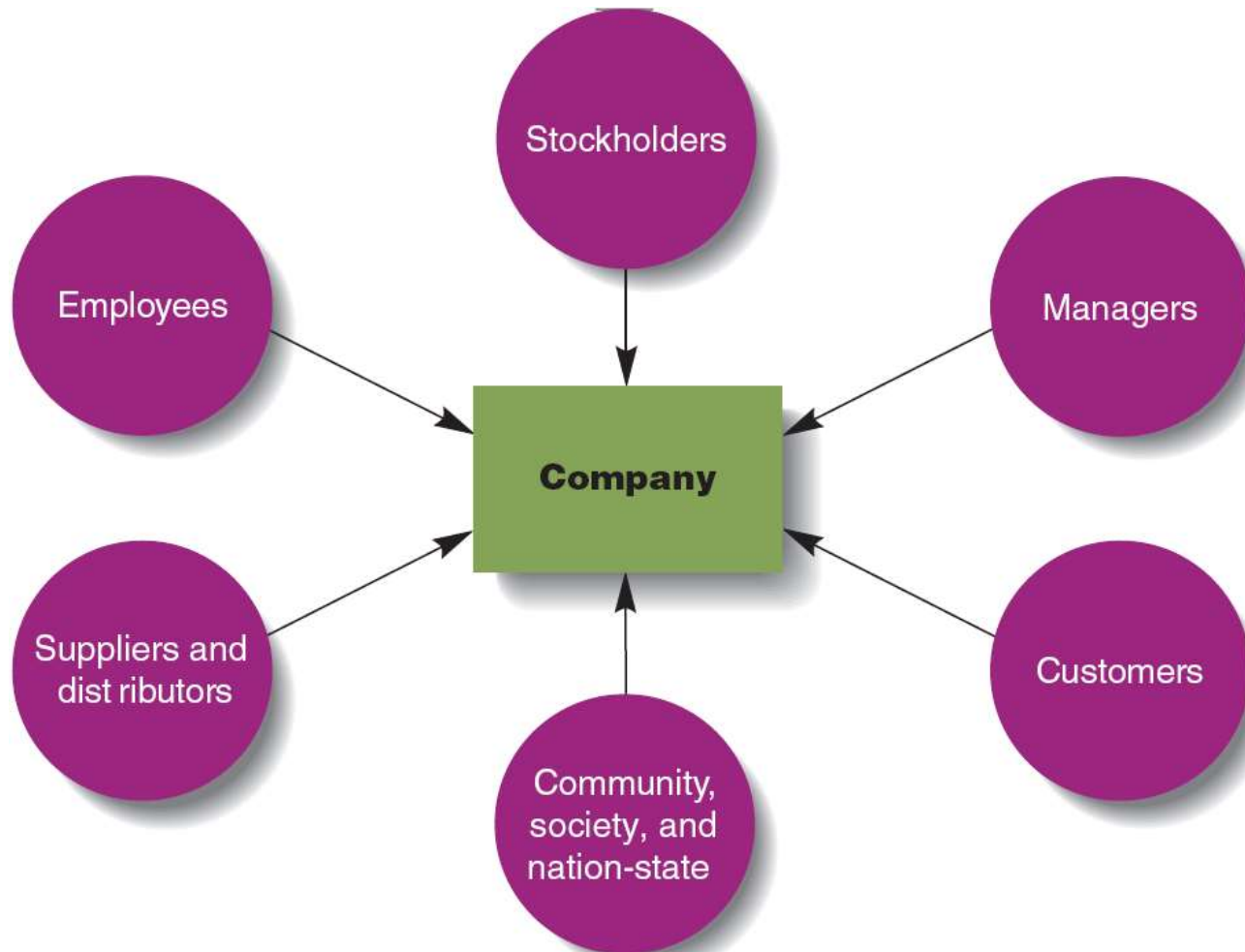


Figure 3.1 - Types of Company Stakeholders



Stockholders

- Want to ensure that managers are behaving ethically and not risking investors' capital by engaging in actions that could hurt the company's reputation
- Want to maximize their return on investment

Managers

- Responsible for using a company's financial, capital and human resources to increase its performance
- Have the right to expect a good return or reward by investing their human capital to improve a company's performance
- Difficult decisions challenge managers to uphold ethical values

Employees

- Companies can act ethically toward employees by creating an occupational structure that fairly and equitably rewards employees for their contributions

Suppliers and Distributors

- Suppliers expect to be paid fairly and promptly for their inputs
- Distributors expect to receive quality products at agreed-upon prices

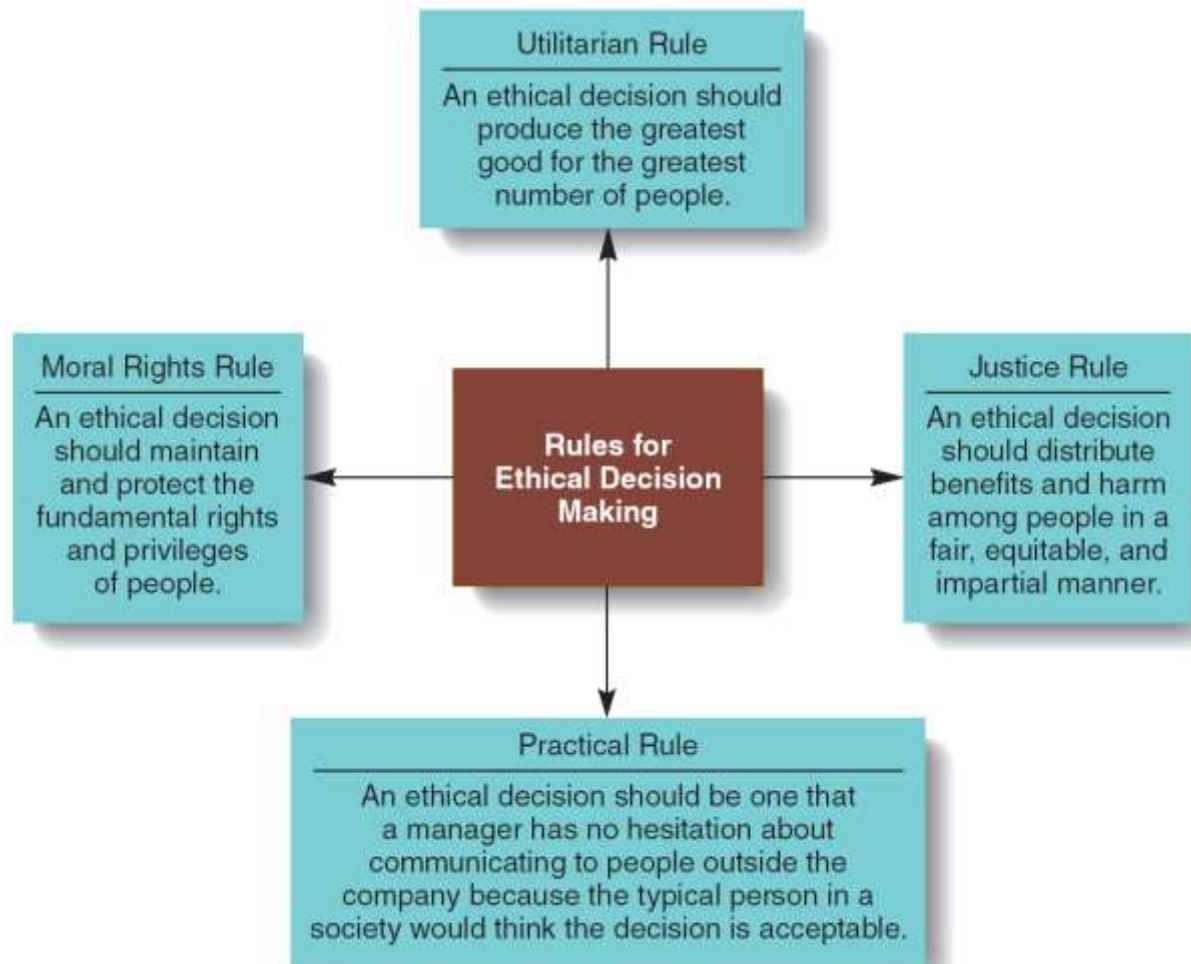
Customers

- Most critical stakeholder group
- Company must work to increase efficiency and effectiveness in order to create loyal customers and attract new ones

Community, Society, and Nation

- Community - Physical locations like towns or cities or to social milieus like ethnic neighborhoods in which companies are located
 - Provides a company with the physical and social infrastructure that allows it to operate
 - A company affects the prosperity of a community, society and a nation

Figure 3.2 - Four Ethical Rules



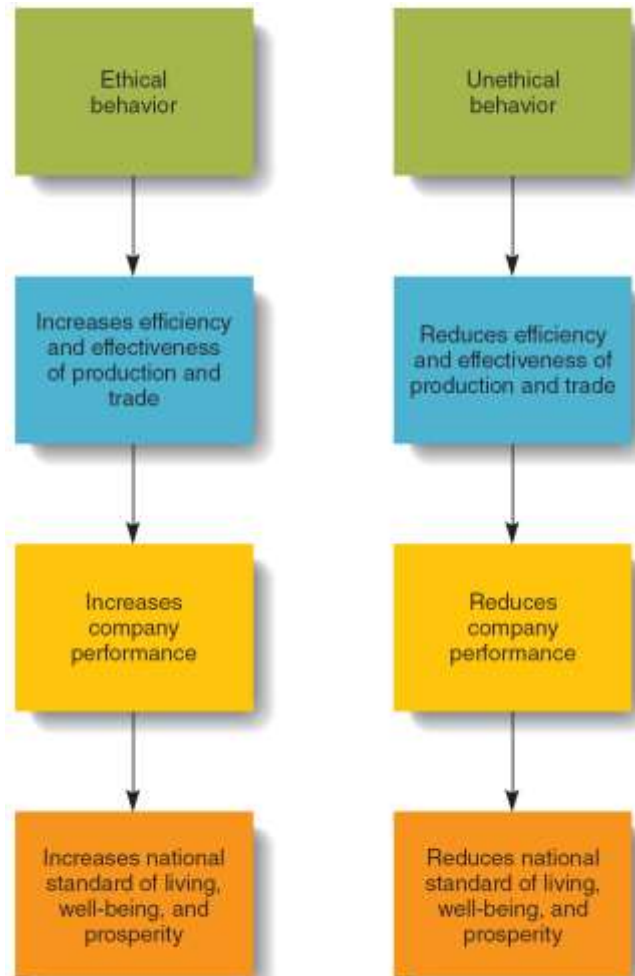
Practical Decision Model

- Does my decision fall within the accepted values or standards that typically apply in business today?
- Am I willing to see the decision communicated to all people and groups affected by it—for example, by having it reported in newspapers or on television?
- Would the people with whom I have a significant personal relationship, such as family members, friends, or even managers in other organizations, approve of the decision?
- See ‘Ethical Reasoning Guidelines’ doc (Canvas)

Why Should Managers Behave Ethically?

- The relentless pursuit of self-interest can lead to a collective disaster if individuals start to profit from being unethical, encouraging other people to act in the same way

Figure 3.3 - Some Effects of Ethical and Unethical Behavior



Why Should Managers behave Ethically?

- **Trust:** Willingness of one person or group to have faith or confidence in the goodwill of another person, even though this puts them at risk
- **Reputation:** Esteem or high repute that individuals or organizations gain when they behave ethically

Figure 3.4 - Sources of an Organization's Code of Ethics



Ethical Organizational Cultures

- Managers can ensure that important ethical values and norms are key features of an organization's culture
- Managers become ethical role models whose behavior is scrutinized by their subordinates

Ethical Organizational Cultures

- **Ethics ombudsman:** Ethics officer who monitors an organization's practices and procedures to be sure they are ethical

Corporate Social Responsibility (CSR)

- **Social responsibility**- idea that organizations are part of a larger society & are accountable to that society for their actions
- Like ethics, agreement on nature & scope of social responsibility is difficult, given diversity of values and interests
- Increasingly firms are becoming very mindful of these conditions and challenges and are responding by committing organizational and other resources to CSR

Three Concepts of Social Responsibility



1. Profit Responsibility

- Companies have simple duty—to maximize profits for owners
- Milton Friedman says, “There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.”

2. Stakeholder Responsibility

- Focus on obligations to those who can affect achievement of its objectives (consumers, employees, suppliers, & distributors).
- Arose out of criticism of profit responsibility view.

3. Societal Responsibility

- Refers to obligations that organizations have to:
- The preservation of the ecological environment
- General public & communities affected by firm directly & indirectly

Corporate Citizenship

<i>Corporate Social...</i>	<i>Emphasizes...</i>
<i>Responsibility</i>	obligation, accountability
<i>Responsiveness</i>	action, activity
<i>Performance</i>	outcomes, results

The Pyramid of Corporate Social Responsibility (CSR)

- 
- **Philanthropic Responsibilities**
Be a good corporate citizen.
 - **Ethical Responsibilities**
Be ethical.
 - **Legal Responsibilities**
Obey the law.
 - **Economic Responsibilities**
Be profitable.

Diversity of the Workforce and the Environment

- **Diversity:** Differences among people in age, gender, race, ethnicity, religion, sexual orientation, socioeconomic background, and capabilities/disabilities
- Managing diversity fairly and justly can improve organizational effectiveness

Arguments Against CSR

- The classical economic view that business' only goal is the maximize profits for owners.
- Business is not equipped to handle social activities.
- It dilutes the primary purpose of business.
- Businesses have too much power already .
- It limits the ability to compete in a global marketplace.

Arguments For CSR

- It addresses social issues brought on by business, and allows business to be part of the solution.
- Enlightened self-interest: businesses must take actions to ensure long-term viability.
- Wards off future government intervention.
- It addresses issues by using business resources and expertise.
- It addresses issues by being proactive.
- The public supports CSR.

Ways Firms Respond to CSR Pressure

Defensive approach

Cost-benefit approach

Strategic approach

Innovation and learning approach

Corporate Social Responsiveness

Corporate Social Responsiveness

- An action-oriented variant of CSR.

Responsibility

- Implies a state or condition of having assumed an obligation.

Responsiveness

- Connotes a dynamic, action-oriented condition.

“Triple Bottom Line” Perspective of Sustainable Business

Key Spheres of Sustainability

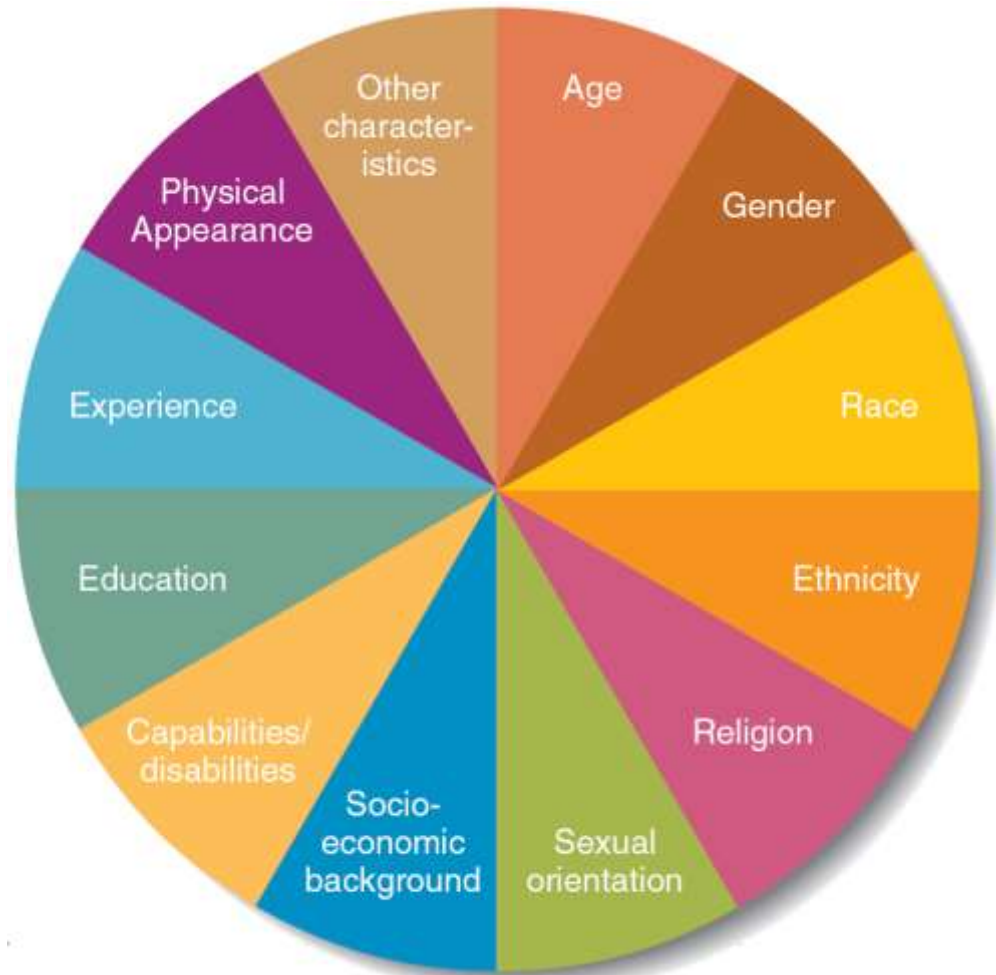
1. Economic
2. Social
3. Environmental

➤ Corporate sustainability is the goal.

Diversity Concerns

- The ethical imperative for equal opportunity
- The continuing work towards accepting diversity
- **Glass ceiling:** Metaphor alluding to the invisible barriers that prevent minorities and women from being promoted to top corporate positions

Figure 3.5 - Sources of Diversity in the Workplace



Workforce Diversity: Age

- Aging U.S. population
 - By 2030, 20 percent of the population will be over 65
- Federal age discrimination laws
 - 1964 Title VII of the Civil Rights Act of 1964
 - 1967 Age Discrimination in Employment Act

Workforce Diversity: Gender

- Women in the work place
 - U.S. workforce is 46.5 % percent female
 - Women's weekly median earnings are \$638 compared to \$798 for men
 - Women hold only 15.4% of corporate officer positions
- Equal employment opportunity law
 - 1963 Equal Pay Act

Workforce Diversity: Race and Ethnicity

- Racial and ethnic diversity of the U.S. population is increasing at an exponential rate
- Emphasizes the importance of effectively managing diversity

Workforce Diversity: Religion

- Accommodation for religious beliefs
 - Scheduling of critical meetings
 - Providing flexible time off for holy days
 - Posting holy days for different religions on the company calendar
- Even small accommodations for religious diversity often enhances employee loyalty
- See Joseph and the Company Party -- Case

Workforce Diversity: Capabilities and Disabilities

- Americans with Disabilities Act (ADA) of 1990 prohibits discrimination against persons with disabilities
- Accommodation towards disability
 - Providing reasonable accommodations for individuals with disabilities
 - Promoting a nondiscriminatory workplace environment
 - Educating the organization about disabilities and AIDS

Workforce Diversity: Socioeconomic Background

- A combination of social class and income-related factors
- Requires managers to be sensitive and responsive to the needs and concerns of those less privileged
- Concerns
 - Widening diversity in income levels
 - Single mothers and the “working poor”
 - Child and elder care for working parents

Workforce Diversity: Sexual Orientation

- Fair and equal treatment towards the minority group of gays and lesbians
- Provision of domestic-partner benefits

Critical Managerial Roles

- Managers have more influence than rank-and-file employees
- When managers commit to diversity, it legitimizes diversity management efforts of others

Effectively Managing Diversity Makes Good Business Sense

- Diverse organizational members can be a source of competitive advantage when managed efficiently
- Variety of points of view and approaches to problems and opportunities that diverse employees provide can improve managerial decision making

Forms of Sexual Harassment

- **Quid pro quo:** Asking or forcing an employee to perform sexual favors in exchange for some reward or to avoid negative consequences
- **Hostile work environment:** Telling lewd jokes, displaying pornography, making sexually oriented remarks about someone's personal appearance, and other sex-related actions that make the work environment unpleasant

Steps to Eradicate Sexual Harassment

- Develop and clearly communicate a sexual harassment policy endorsed by top management
- Use a fair complaint to investigate charges of sexual harassment
- When it has been determined that sexual harassment has taken place, take corrective action as soon as possible
- Provide sexual harassment education and training to all organizational members, including managers