Exploring Management 5th edition Schermerhorn Solutions Manual

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CHAPTER 2
Ethics and Social Responsibility
Character doesn't stay at home when we go to work

Chapter Overview

Each Chapter contains several inset features designed to assist the student reader in applying the concepts to relevant examples. *Management Live* illustrates how experiences and activities relate to work performance. *Ethics Check* profiles examples of ethical issues in management. *Hot Topic* explores topic on on-demand workers seeking more employment rights. *Facts to Consider* introduces data on behavior of managers which may be key to an ethical workplace that can be used for class discussion in the classroom or online for distance learning. *Quick Case* presents a fourth grade child's cheating scenario for class analysis and discussion.

Chapter two provides a thorough review of ethics and corporate social responsibility. The chapter begins with a discussion of the importance of ethics and its practice in the workplace. Various approaches to what is considered ethical are explored. How ethical dilemmas occur at work and how people tend to rationalize unethical behavior is discussed. As personal influencers of ethical decision making, Lawrence Kohlberg's levels of moral development are reviewed. Emphasis is placed upon the role of a manager to inspire high standards of ethical conduct by setting a precedent as a role model. Discussed are various approaches to maintaining high ethical conduct within an organization, which include: ethics training, protecting whistleblowers, and company codes of ethical conduct.

Another main chapter topic reviews the importance of the ways an organization can serve society, also known as corporate social responsibility or CSR. Classical and socioeconomic, the two views for and against CSR, are compared and contrasted. Some of the questions posed include: Does an organization have an obligation to give back to society? Is its sole existence to make a profit and satisfy its numerous stakeholders? Triple bottom line, which measures a company in ways beyond just its financial results, is described. And finally, the importance of sustainability, sustainable development and the movement of social entrepreneurs, those who take business risk for a social mission and not just financial gain is discussed. Sustainable business and sustainable development are described as ways organizations preserve and protect the environment for future generations.

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Takeaway Questions

- Takeaway 2.1: How do ethics and ethical behavior play out in the workplace?
- Takeaway 2.2: How can we maintain high standards of ethical conduct?
- Takeaway 2.3: What should we know about the social responsibilities of organizations?

Chapter Outline

- **Takeaway 2.1: How do ethics and ethical behavior play out in the workplace?**
  - Ethical Behavior is values driven.
  - Views differ on what constitutes moral behavior.
  - What is considered ethical can vary across cultures.
  - Ethical dilemmas arise as tests of personal ethics and values.
  - People have tendencies to rationalize unethical behaviors.

- **Takeaway 2.2: How can we maintain high standards of ethical conduct?**
  - Personal character and moral development influence ethical decision making.
  - Managers as positive role models can inspire ethical conduct.
  - Training in ethical decision making can improve ethical conduct.
  - Protection of whistleblowers can encourage ethical conduct.
  - Formal codes of ethics set standards for ethical conduct.

- **Takeaway 2.3: What should we know about the social responsibilities of organizations?**
  - Social responsibility is an organization's obligation to best serve society.
  - Perspectives differ on the importance of corporate social responsibility.
  - Shared value integrates corporate social responsibility into business strategy.
  - Social businesses and social entrepreneurs are driven by social responsibility.
  - Social responsibility audits measure the social performance of organizations.
  - Sustainability is an important social responsibility goal.

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- Manager's Library Selection- Conscious Capitalism

DISCUSSION TOPIC

You can start the discussion of this chapter by asking students to identify examples of ethical and unethical business practices that they have read about, heard about, 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, plagiarism, maintenance of the physical environment, or unauthorized use of materials or equipment.

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Lecture Outline
Takeaway Question 2.1
How Do Ethics and Ethical Behavior Play Out in the Workplace?

Pick up any business newspaper and the headlines profile business scandals, financial failures, criminal charges, exploitation and greed. It can seem pervasive. This leaves us just a tad bit jaded about executive leadership in our society. This is why it is more important than ever to understand the moral and social implications of behavior in and by organizations. We begin with a discussion of ethics and ethical behavior.

- **Ethics** is a code of moral principles that sets standards of good or bad, or right or wrong, in our conduct.
- **Ethical Behavior** is "right" or "good" in the context of a governing moral code which help people make moral choices among alternative courses of actions. Ethical behavior can always be described as what is "good" or "right."

- **Ethical behavior is values driven.**
  - ✓ **Values** are the underlying beliefs and judgments regarding what is right or desirable and that influence individual attitudes and behaviors. Psychologist Milton Rokeach distinguishes between terminal and instrumental values:
    - ➢ **Terminal values** are preferences about desired end states
    - ➢ **Instrumental values** concern the *means* for accomplishing these ends
    - ➢ These values tend to be enduring for an individual but may vary considerably from one person to the next, which explains why different people respond quite differently to the same situation.

- **Views differ on what constitutes moral behavior**
  - ✓ **Figure 2.1** summarizes the four philosophical views of ethical behavior
  - ✓ **Utilitarian view** considers ethical behavior to be that which delivers the greatest good to the greatest number of people
    - ➢ An example in the recent recession would be the companies that cut jobs and closed divisions in order to help the organization survive for the remaining employees and their communities (rather than lose all jobs to business failure).
  - ✓ **Individualism view** is focuses on the long-term advancement of self-interests
    - ➢ Unethical behavior may pay off in the short-term, but in the long-term it catches up and the consequences can be devastating. Cheating on a test can lead to a short term gain, but if caught, you run the risk of the long term loss of being expelled.

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- ✓ **Justice view** considers a behavior to be ethical when people are treated impartially and fairly, according to legal rules and standards
    - **Procedural justice** involves the fair administration of policies and rules
    - **Distributive justice** involves the allocation of outcomes without regard to individual characteristics such as gender, race, ethnicity or age
    - **Interactional justice** focuses on the treatment of everyone with dignity and respect
    - **Commutative justice** focuses on the fairness of exchanges or transactions and involves all parties to a transaction entering it freely with all relevant and available information.
- ✓ **Moral-rights view** considers behavior to be ethical when it respects and protects the fundamental rights of people. See the margin for:
    - ➢ Excerpts from the Universal Declaration of Human Rights of the United Nations.
    - ➢ Students may have examples of people who are deprived of basic human rights such as child labor, repression of free speech or practice of religion.

DISCUSSION TOPIC

Ask students for examples of each of the above views of ethical behavior. These can be either hypothetical examples, from current events 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.

- **What is considered ethical can vary across cultures.**
    - ✓ **Cultural relativism** suggests that there is no one right way to behave and that ethical behavior is determined by its cultural *context.* The classic rule of "when in Rome, do as the Romans do" reflects this position -- the values and practices of the local setting determine what is right or wrong.
    - ✓ **Moral absolutism** is the belief that ethical standards apply universally among all cultures and that universal values transcend cultures in determining what is right or wrong.
    - ✓ **Ethical imperialism** is externally imposing one's own ethical standards on others
    - ✓ **Figure 2.2** contrasts the influence on international business ethics of two diametrically opposed extremes of **cultural relativism and moral absolutism**.

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- **Ethical dilemmas are tests of personal ethics and values.**
  - ✓ **An Ethical dilemma** is a situation requiring a decision about a course of action that, although offering potential benefits, may be considered unethical. Ethical dilemmas arise as tests of personal ethics and values.
    - ➢ May be no clear consensus on what is "right" or "wrong"
    - ➢ See **Table 2.1** inset of common examples of unethical behavior at work, which include:
      - ➢ Discrimination or denying people a promotion due to reasons not relevant to job performance (i.e., race, religion, gender, age).
      - ➢ Sexual Harassment or making a co-worker feel uncomfortable through comments, actions or requesting sexual favors
      - ➢ Conflict of interest or taking bribes, kickbacks or gifts in return for making favorable decisions
      - ➢ Customer privacy or giving someone privileged information regarding the activities of a customer
    - ➢ Using organizational resources for one's personal benefit
      Managers responding to a *Harvard Business Review* survey said many of their dilemmas arise out of conflicts with superiors, customers, and subordinates. The most frequent involve dishonesty in advertising and in communications with top management, clients, and government agencies.
    - ➢ Holding people accountable for unrealistically high performance goals are high on the list of bad boss behaviors which creates undue pressure.
    - ➢ When people feel extreme performance pressures, they can act incorrectly and engage in questionable practices to meet these expectations

DISCUSSION TOPIC

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.

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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.)

- **People have tendencies to rationalize unethical behaviors.**
  - ✓ Even though most of us consider ourselves as "good" people, when we do something that might be "wrong," or unethical, the common response is to rationalize the questionable behavior. Common ways to rationalize unethical behavior:
    - ➢ *It's not really illegal*
    - ➢ *It's in everyone's best interests*
    - ➢ *No one will ever know about it*
    - ➢ *The organization will stand behind them*

STUDY GUIDE / TAKEAWAY 2.1

Questions for Discussion

1) For a manager, is any one of the moral reasoning approaches better than the others?
Students may debate the merits of all approaches. Ask them to give examples of where each may be appropriate such as "the justice view is the view that seems most fitting for a CEO with a diverse workforce." The instructor may also consider assigning different approaches to small groups of students and ask them to come up with an example that would advocate one approach as the best for the situation.

2) Will a belief in cultural relativism create inevitable ethics problems for international business executives?
Cultural relativism in all likelihood will cause problems, since, as the name implies, there is no "clear" boundary of what is right and wrong. Given a profit motivation, the temptation would be great to make decisions that could possibly result in unethical behavior.

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3) Are ethical dilemmas always problems, or can they be opportunities?
Ethical dilemmas can be opportunities. This is particularly true if it is a learning opportunity for the organization. An example might be when one company learns of proprietary information about a competitor through a supplier. By choosing not to exploit such a secret and use it, the manager or decision maker is sending a very strong message and setting a tone for the entire organization.

Career Situation
Today's classroom could be a mirror image of tomorrow's work place. You have just seen one of your classmates snap a cell phone photo of the essay question on an exam. The instructor has missed this, and you're not sure if anyone else observed what just happened. You know that the instructor is giving the exam to another section of the course starting next class period. Do you let this pass, perhaps telling yourself that it isn't all that important? If you can't let it pass, what action would you take?

Students' answers will vary based upon their personal views and individual experiences.

Takeaway Question 2.2
How Can We Maintain High Standards of Ethical Conduct?

Although there is a tendency to read about and focus on the bad behavior within organizations, we shouldn't forget that good does exist in a good many of them. There are organizations whose managers set the bar very high when it comes to ethics and codes of conduct expected for all employees. And there are a variety of methods used to encourage consistent ethical behavior.

- **Personal character and moral development influence ethical decision making.**
  - ✓ **Ethical frameworks** are well-thought-out personal rules and strategies for ethical decision-making
  - ✓ Organization and action contexts influence workplace ethics
  - ✓ Conditions in the external environment also influence organizations and their members (includes laws and regulations, and social norms and values)
  - ✓ **Lawrence Kohlberg** describes three levels of moral development through which individuals progress (see **Figure 2.3**).
    - ➢ **Preconventional or Self-Centered Behavior** - the individual focuses on self-interests, avoiding harm and making deals for gain.
    - ➢ **Conventional or Social-Centered Behavior** - attention becomes more social-centered and the individual tries to be consistent and meet obligations to peers.
    - ➢ **Postconventional or Principle-Centered Behavior** - principle-centered behavior results in the individual living up to societal expectations and personal principles.

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DISCUSSION TOPIC

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 for making ethical decisions.

- **Managers as positive role models can inspire ethical conduct.**
  - The way top managers approach ethics issues can have a powerful effect on what happens in their organizations
    - Policies that set high ethics standards
    - Set a personal example of the behavior you expect, "Walk the talk".
    - Margin graphic illustrates three ways managers may choose to behave:
      - **Immoral managers** choose to behave ethically
      - **Amoral managers** disregard the ethics of an act or decision, but do so unintentionally by failing to consider the ethical consequences of his or her actions
      - **Moral managers** make ethical behavior a personal goal

- **Training in ethical decision making may improve ethical conduct.**
  - **Ethics training** helps employees understand and best deal with ethical aspects of decision making. Ethics training helps employees understand and best deal with ethical aspects of decision making. More and more college students majoring in business are required to take ethics courses as a required part of their curriculum.
  - Remember to never underestimate the risk of internet exposure. Hardly a day goes by without reading about a public official humiliated and damaged by photos or something posted online.

- **Spotlight Questions**:
    - How would I feel if my family found out about my decision?
    - How would I feel if my decision is reported in the local newspaper or posted on the internet?
    - What would a person I know who has the strongest character and best ethical judgment say about my decision?

- **Protection of whistleblowers can encourage ethical conduct.**
  - ✓ **Whistleblowers** are people who expose organizational misdeeds in order to preserve ethical standards and protect against wasteful, harmful, or illegal acts
  - ✓ The very nature of organizations as power structures creates potential barriers to whistle-blowing

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- Strict chain of command can make it hard to bypass the boss if he or she is doing something wrong
- Strong work group identities can discourage whistle-blowing and encourage loyalty and self-censorship
- Conditions of ambiguous priorities can make it difficult to distinguish right from wrong

DISCUSSION TOPIC

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. Do not 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. Do not talk first to the media.
5. Do keep accurate records to document your case; keep copies outside of your office.
6. Do not act in anticipation of a big financial windfall if you end up being fired.

- **Formal codes of ethics set standards for ethical conduct.**
  - ✓ **Codes of ethics formally state the values and ethical principles that members are expected to display**
    - Some require employees to read and agree as a condition of employment
    - Can be very specific guidelines on how to behave in situations
    - Increasingly common
    - Statements in a code of ethics are related to discrimination, working conditions, freedom of association, and so on.

STUDY GUIDE / TAKEAWAY 2.2

Questions for Discussion

1) Is it right for organizations to require ethics training of employees?
It is not only right for a company to require ethics training; it is the responsible action that every company should take. It also reduces a company's exposure even if an employee does commit an ethics violation. For instance, it increases the defense that the company does not have a climate for acceptance of sexual harassment if training can be demonstrated to have occurred. Most importantly, it explicitly sets out the ethics rules, and lets employees know that they are important enough to pay workers to attend.

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2) Should whistleblowers have complete protection under the law?
Whistleblowers are entitled to complete protection and are protected by law and policies. They are taking a high risk for actions that may jeopardize their careers or may even threaten their personal safety. The benefits to society for avoidance of situations such as Enron far outweigh any undesired or unintended costs of added federal or state protective laws and regulations.

3) Should all managers be evaluated on how well they serve as ethical role models?
Yes - there is perhaps no better way to reinforce the importance of ethics than rewarding (or penalizing) managers for their ethical conduct. As a manager, modeling ethical behavior will replicate the behavior so crucial within an organization.

Career Situation

One of your first assignments as a summer intern for a corporate employer is to design an ethics training program for the firm's new hires. Your boss says that the program should familiarize newcomers with the corporate code of ethics. But, it should go beyond this to provide them with a foundation for handling ethical dilemmas in a confident and moral way. What will your lesson plan for the training program look like?

Students' answers will vary based upon their personal views and individual experiences. However, it should focus on and include some of the following:

Formal codes of ethics stating the values and ethical principles that members are expected to display: 1) require employees to read and agree as a condition of employment, and 2) Statements in a code of ethics should be related to discrimination, working conditions, freedom of association, and so on. Specifically, when faced with ethical dilemmas, the training should include the following steps: 1) Recognize the ethical dilemma, 2) Get the facts, 3) Identify your options, 4) Test each option, 5) Decide which option to follow, 6) Ask the spotlight questions to double-check your decision: How would I feel if my family found out about my decision?, How would I feel if my decision is reported in the local newspaper or posted on the internet?, and What would a person I know who has the strongest character and best ethical judgment say about my decision?, and 7) Take action.

Takeaway Question 2.3
What Should We Know About the Social Responsibilities of Organizations?

Organizations are becoming increasingly aware that they do not exist separate from society. Corporate social responsibility and triple bottom line are concepts which many students already have become familiar with through daily interactions as consumers making purchases at both large and small companies.

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- **Stakeholders**, all of whom have varying interests, are affected in some way by how an organization performs and conducts business. Stakeholders, the individuals, groups and other organizations, have a direct "stake" or interest in an organization and its performance.

- **Figure 2.4 lists stakeholders as:**

  - Customers
  - Suppliers
  - Competitors
  - Regulators
  - Investors/Owners
  - Employees
  - Future Generations
  - Labor Unions
  - Stockholders
  - Federal, State, local governments
  - Educational Institutions
  - Public-Interest Groups
  - Financial Institutions
  - Legal Institutions

- **Social responsibility is an organization's obligation to best serve society.**
  - ✓ **Corporate Social Responsibility (CSR)** advocates organizational behavior that serves its own mission and interests by acting in a way that serves the best interests of all stakeholders, including society as a whole.
  - ✓ **Triple bottom line** is a concept that evaluates organizational performance on financial, social and environmental criteria rather than just financial.
  - ✓ **Three Ps of Organizational Performance are:**
    - Profit
    - People
    - Planet

- **Perspectives differ on the importance of corporate social responsibility**
  - ✓ In academic and public policy circles, there is much debate over corporate social responsibility or CSR. The **classical** view takes a stand against making CSR a business priority, whereas the **socioeconomic** view advocates for it.
  - ✓ One of the problems with the pro and con CSR debate is that it pits the interests of shareholders and owners against other stakeholders in a win-lose fashion.
  - ✓ **Classical view of CSR** – "The business of business is business" meaning that the goal of business is to produce profits for the owners or stockholders and that management's only responsibility in running a business is to maximize profits and shareholder value. Milton Friedman advocated, along with many others, that society's best interests are served by managers who strive for profits without expanding the business mission to include social causes.

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- ✓ **Socioeconomic view of CSR –** Business must focus on all stakeholders including society at large and that management of any organization should be concerned for the broader social welfare, not just corporate profits. This may lead to improved financial performance as a positive perception of the business leads to a "**virtuous circle".**
- ✓ A **virtuous circle** is a best-case scenario where corporate social responsibility leads to improved financial performance that leads to greater social responsibility.

- **Shared value integrates corporate social responsibility into business strategy**
  - ✓ **Shared value approaches** business decisions with understanding that economic gains and social progress are interconnected. This approach integrates corporate social responsibility into business strategy.
    - ➢ Advocated by Michael Porter and Mark Kramer, they believe that executives can and should make business decisions with full understanding that economic gains and social progress are interconnected.

- **Social businesses and social entrepreneurship point the way in social responsibility.**
  - ✓ **Social business** has as its foundation the goal of addressing a social problem, yet may still return a profit.
  - ✓ **Social entrepreneurs** are people who take business risk with the goal of finding novel ways to solve pressing social problems at home and abroad.

- **Social responsibility audits measure the social performance of organizations.**
  - ✓ **A social responsibility audit** measures and reports on an organization's performance in various areas of corporate social responsibility.
    - ➢ Criteria for evaluating socially responsible practices include, but are not limited to:
      - Economic
      - Legal
      - Ethical
      - Discretionary

- **Sustainability is an important social responsibility goal.**
  - ✓ **Sustainability** is a goal that addresses the rights of present and future generations as co-stakeholders of present-day natural resources.
  - ✓ **Sustainable business** is where firms operate in ways that both meet the needs of customers and protect or advance the well-being of our natural environment.
  - ✓ **Sustainable development** describes the practices that make use of environmental resources to support societal needs today while also preserving and protecting the environment for future use for future generations.

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- ✓ **Environmental Capital or Natural Capital**, an increasingly popular and useful term in conversations about sustainable development, is the available natural resources
- ✓ Atmosphere, land, water, air, minerals
  - ➢ **ISO 14001** is a global quality standard for organizations that have objectives for sustainable business practices.
  - ➢ **Human Sustainability** socially responsible organizations must consider the effect of management practices on employees.

DISCUSSION TOPIC

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.

STUDY GUIDE / TAKEAWAY 2.3

Questions for Discussion

1. Choose an organization in your community. What questions would you ask to complete an audit of its social responsibility practices?
   The social audit would include criteria to assess the organization's performance in terms of the impact a wide range of stakeholder groups. Criteria would include Economic Responsibility, Legal Responsibility, Ethical Responsibility and Discretionary Responsibility. This would be an interesting small group activity, requiring all groups to audit different organizations. Other criteria might include:
   - ✓ *Environment: byproducts used, emissions to air and water through manufacturing, waste produced, energy consumed, protecting and restoring the environment.*
   - ✓ *Community: charitable corporate investment and giving, community investments, employee activities and volunteer hours, customer diversity and inclusion,*
   - ✓ *Workplace: employee health and safety, low turnover, employee satisfaction, employee diversity, employee training and learning,*
   - ✓ *providing customers value, providing sound quality goods and services*
   - ✓ *Marketplace: reach in disadvantaged areas, supply chain efficiency, customer satisfaction surveys*
   - ✓ *Respecting and promoting ethics, transparency, human rights, and accountability.*

2. Is the logic of the virtuous circle a convincing argument in favor of corporate social responsibility?
   Responses will differ along the same arguments as the classical view of CSR and socioeconomic view of CSR. Students may have read research that supports the view that

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socially responsible companies are more profitable over time than those that hold a more classical view. Others may have research that supports the classical view. Ask them to compare with examples.

3. Should government play a stronger role in making sure organizations commit to sustainable development?
   Recent corporate governance failures of AIG and other financial institutions may tip student opinion to favor more government involvement. The reporting requirements and regulations added by the Sarbanes – Oxley Act do not appear to have prevented behavior students perceive to be unethical. The question needs to be asked: "can any amount of regulation prevent unethical behavior of amoral or immoral behavior of managers such as Bernard Madoff?"

Career Situation

It's debate time, and you've been given the task of defending corporate social responsibility. Make a list of all possible arguments for making CSR an important goal for any organization. For each item on the list, find a good current example that confirms its importance based on real events. In what order of priority will you present your arguments in the debate? Next, what arguments "against" CSR will you be prepared to defend against?

Students' answers will vary based upon their personal views and individual experiences.

Teaching Notes

In this section, ideas, exercises, and assignments are provided to assist you in integrating the concepts in Exploring Management 5e for your students, especially the ***special features*** *of the text.*

Management Live: Curbing Work Hours to Improve Performance

Does it surprise you that software coders produce higher quality work in 40-hour versus 60-hour weeks? Working long hours gives the impression of being "dependable" and "committed." But at what price? An occupational psychologist says: "We need to see duty of care as part of the role of manager…sensible hours needs to be championed by middle managers as well as senior leaders." Not taking care of your health, missing children's life and school events, and inattention to spouse or partner are warning signs. Living with always-on technology doesn't help. In response, Volkswagen suspends email from 30 minutes after shifts end until the next day. Daimler allows employees to have vacation and holiday emails deleted from the server.

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What social responsibility do employers have to make sure that employees don't work so many hours that they lose productivity and damage their health and personal lives?

A good starting discussion in class about work-life balance issues and its impact on the productivity/performance of employees. Do organizations truly care about the well-being of their employees? Should additional hours be offset with perks offered by companies like Google? Where is the line for push for productivity versus wellbeing of employees?

Ethics Check: Interns Sue Employers for Back Pay

Two interns sued Fox Searchlight Pictures claiming their jobs would otherwise have been done by paid employees and they wanted to be paid for it. A federal judge agreed and turned the notion of the unpaid internship upside down.
The U.S. Fair Labor Standards Act sets forth rules that must be followed to hire unpaid interns. A strict interpretation seems to push employers in the direction of offering only paid internships. An exception is the public sector where nonprofits are allowed to employee interns as volunteers. There's no doubt that internships are a well-established source of valuable experience for students and a job entry point for many.

Is it right for interns to demand pay in return for valuable work experience and a possible job entry point? Are employers taking advantage of interns by not paying them for doing real work? What's the dividing line between fairness and exploitation in an internship contract? Who benefits from the Fox case? Are we about to see a decline in the number of available student internships? What's your internship experience? Did you engage in tasks that had an immediate positive benefit for the firm you were working for? Did it seem wrong to you that you weren't being paid?

This is a good class discussion issue and students should be able to relate to this as they all/most have or will go through exploring internships. One line of reasoning – were the students cheated or lied to by Fox? If students are accepting the internship opportunities knowing that they are unpaid – is that an ethical issue? Are companies taking advantage of students?

Facts to Consider: Behavior of Managers is Key to an Ethical Workplace

A survey conducted for Deloitte & Touche USA includes the following findings:

- Forty-two percent of workers say the behavior of their managers is a major influence
- The most common unethical acts by managers include verbal, sexual, and racial harassment, misuse of company property, and giving preferential treatment.
- Ninety-one percent of workers are more likely to behave ethically when they have work-life balance.

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- Top reasons for unethical behavior are lack of personal integrity and lack of job satisfaction.
- Ask students if there are surprises in these data and whether they agree that this emphasis on manager behavior is justified as they key to ethical behavior in the workplace. What do students think is acceptable and unacceptable workplace behaviors?

Hot Topic: App-Enabled On-demand Workers are not Robots

Ride sharing is just one of many avenues of on-demand work fast appearing on the employment scene. But what's it like to be one of the app-enabled workers?

The opportunity for income with job flexibility is attractive to many – work when you want, as long as want, as often as you want. But, what rights do "on-demand workers" have? If a ride sharing company sets pay schedules, requires certain attire and behaviors, and can fire at will, are the drivers true "employees" or not?

Current U.S. labor laws offer two classifications of workers – traditional and independent contractors. The traditional workers are official employees and have legal protections in respect to minimum wage, anti-discrimination, union membership, and more. Independent contractors don't and it's mainly a net gain for employers who don't have to deal with legal obligations and offer costly benefits. But federal courts are now hearing lawsuits filed by on-demand workers seeking more employment rights.

What are the social responsibilities of organizations that hire on-demand workers? Is it enough to offer income opportunity with work flexibility, or should more be on the table as part of the employer-employee contract? Is the sharing economy and the app-enabled workforce good for human sustainability?

Uber is quickly becoming a poster child for these cases. If court cases were to go against such companies, it has a heavy financial ramification on the insurance, workman's comp, taxes, and fringe benefits provided by the company. Where are your students on this issue?

Quick Case: Teacher Calls about Daughter Cheating on Test

"Hello, this is Ann's fourth-grade teacher. I'd like to set up a conference. She's been caught cheating on a test." This isn't the telephone message you'd been expecting when answering voice mail from your daughter's school. Just the other day Ann had been telling you how much she enjoyed the class and working in a small groups on projects. "It's so much fun working with others," she said. After calling the teacher back you've learned that one of the students from that team asked for and received from Ann an answer during a standardized test. The teacher hasn't said anything to the students yet, but wants to talk to the parents. You also wonder about all the

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emphasis on teamwork, sharing, and collaboration that is part of the typical school day. How do those things reconcile with a classmate's request for help on a test? The teacher conference is scheduled for tomorrow. Ann will be waiting when you get home from work.

Can Ann's behavior be justified on ethics grounds? What do you say, ask, and do with her? How can you turn this situation into a learning experience that will help her know right from wrong? How do you handle her emotions… and likely questions? What is the line here between ethical and unethical behavior in a culture of teamwork? What do you say, ask, and do with the teacher?

This should be an interesting debate amongst students – you can create two teams and have each team take one side and defend. Students' answers will vary based upon their personal views and individual experiences.

TestPrep 2

MULTIPLE CHOICE

1. A business owner makes a decision to reduce a plant's workforce by 10% in order to cut costs and be able to save jobs for the other 90% of employees. This decision could be justified as ethical using the _____ approach to moral reasoning.
(a) utilitarian (b) individualism
(c) justice (d) moral rights

2. If a manager fails to enforce a late-to-work policy for all workers—that is, by allowing some favored employees to arrive late without penalties—this would be considered a violation of _____.
(a) human rights (b) personal values
(c) distributive justice (d) cultural relativism

3. According to research on ethics in the workplace, _____ is/are often a major and frequent source of pressures that create ethical dilemmas for people in their jobs.
(a) declining morals in society
(b) long work hours
(c) low pay
(d) requests or demands from bosses

4. Someone who exposes the ethical misdeeds of others in an organization is usually called a/an _____.
(a) whistleblower (b) ethics advocate
(c) ombudsman (d) stakeholder

5. Two employees are talking about ethics in their workplaces. Jay says that ethics training and codes of ethical conduct are worthless; Maura says they are the only ways to ensure ethical behavior by all employees. Who is right and why?
(a) Jay—no one really cares about ethics at work.
(b) Maura—only the organization can influence ethical behavior.
(c) Neither Jay nor Maura—training and codes can encourage but never guarantee ethical behavior.
(d) Neither Jay nor Maura—only the threat of legal punishment will make people act ethically.

6. Which ethical position has been criticized as a source of "ethical imperialism"?
(a) individualism ***(b) absolutism***
(c) utilitarianism (d) relativism

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7. If a manager takes a lot of time explaining to a subordinate why he did not get a promotion and sincerely listens to his concerns, this is an example of an attempt to act ethically according to _____ justice.
(a) utilitarian (b) commutative
(c) interactional (d) universal

8. At what Kohlberg calls the _____ level of moral development, an individual can be expected to act consistent with peers, meet obligations, and follow rules of social conduct.
(a) postconventional ***(b) conventional***
(c) preconventional (d) nonconventional

9. In respect to the link between bad management and ethical behavior, research shows that _____.
(a) managers who set unrealistic goals can cause unethical behavior
(b) most whistleblowers just want more pay
(c) only top managers really serve as ethics role models
(d) a good code of ethics makes up for any management deficiencies

10. A person's desires for a comfortable life and family security represent _____ values, while his or her desires to be honest and hard working represent _____ values.
(a) terminal; instrumental
(b) instrumental; terminal
(c) universal; individual
(d) individual; universal

11. A proponent of the classical view of corporate social responsibility would most likely agree with which of these statements?
(a) Social responsibility improves the public image of business.
(b) The primary responsibility of business is to maximize profits.
(c) By acting responsibly, businesses avoid government regulation.
(d) Businesses should do good while they are doing business.

12. The triple bottom line of organizational performance would include measures of financial, social, and _____ performance.
(a) philanthropic ***(b) environmental***
(c) legal (d) economic

13. An amoral manager _____.
(a) always acts in consideration of ethical issues
(b) chooses to behave unethically
(c) makes ethics a personal goal
(d) acts unethically but does so unintentionally

14. In a social responsibility audit of a business firm, positive behaviors meeting which of the following criteria would measure the highest level of commitment to socially responsible practices?
(a) legal—obeying the law
(b) economic—earning a profit
(c) discretionary—contributing to community
(d) ethical—doing what is right

15. What organizational stakeholder would get priority attention if a corporate board is having a serious discussion regarding how the firm could fulfill its obligations in respect to sustainable development?
(a) owners or investors
(b) customers
(c) suppliers
(d) future generations

SHORT-RESPONSE QUESTIONS

16. How does distributive justice differ from procedural justice?
Distributive justice means that everyone is treated the same, that there is no discrimination based on things like age, gender, or sexual orientation. An example would be a man and a woman who both apply for the same job. A manager violates distribute justice if he interviews only the man and not the woman as well, or vice versa. Procedural justice means that rules and procedures are fairly followed. For example, a manager violates distributive justice if he or she punishes one person for coming to work late while ignoring late behavior by another person with whom he or she regularly plays golf.

17. What are the three Spotlight Questions that people can use for double-checking the ethics of a decision?
The "spotlight questions" for double-checking the ethics of a decision are: "How would I feel if my family finds out?" "How would I feel if this were published in a local newspaper or on the internet?" "What would the

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person you know or know of who has the strongest character and best ethical judgment do in this situation?"

18. If someone commits an unethical act, how can he or she rationalize it to make it seem right?
The rationalizations include believing that (1) the behavior is not really illegal, (2) the behavior is really in everyone's best interests, (3) no one will find out, and (4) the organization will protect you.

19. What is the virtuous circle of corporate social responsibility?
The "virtuous circle" concept of social responsibility holds that social responsibility practices do not hurt the bottom line and often help it; when socially responsible actions result in improved financial performance, this encourages more of the same actions in the future – a virtuous circle being created.

INTEGRATION AND APPLICATION QUESTIONS:

20. A small outdoor clothing company in the U.S. has just received an attractive proposal from a business in Tanzania to manufacture the work gloves that it sells. Accepting the offer from the Tanzanian firm would allow for substantial cost savings compared to the current supplier. However, the American firm's manager has recently read reports that some businesses in Tanzania are forcing people to work in unsafe conditions in order to keep their costs down. The manager is now seeking your help in clarifying the ethical aspects of this opportunity.
Questions: How would you describe to this manager his or her alternatives in terms of cultural relativism and moral absolutism? What would you identify as the major issues and concerns in terms of the cultural relativism position versus the absolutist position? Finally, what action would you recommend in this situation, and why?
Answer: If the manager adopts a position of cultural relativism, there will be no perceived problem in working with the Tanzanian firm. The justification would be that as long as it is operating legally in Tanzania that makes everything okay. The absolutist position would hold that the contract should not be taken because the factory conditions are unacceptable at home and therefore are unacceptable anywhere. The cultural relativism position can be criticized because it makes it easy to do business in places where people are not treated well; the absolutist position can be criticized as trying to impose one's values on people in a different cultural context.

Skill Building Portfolio

Self-Assessment: Terminal Values Survey

1. Read the following list of things people value. Think about each value in terms of its importance as a guiding principle in your life.

A comfortable life	Family security	Pleasure
An exciting life	Freedom	Salvation
A sense of accomplishment	Happiness	Self-respect
A world at peace	Inner harmony	Social recognition
A world of beauty	Mature love	True friendship
Equality	National security	Wisdom

2. *Circle* six of these 18 values to indicate that they are *most important* to you. If you can, rank-order these most important values by writing a number above them—with "1" the most important value in my life, and so on through "6."
3. *Underline* the six of these 18 values that are *least important* to you.

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Interpretation

Terminal values reflect a person's preferences concerning the ends to be achieved. They are the goals individuals would like to achieve in their lifetimes. As you look at the items you have selected as most and least important, what major differences exist among the items in the two sets? Think about this and then answer the following questions.

A) What does your selection of most and least important values say about you as a person?

B) What does your selection of most and least important values suggest about the type of work and career that might be best for you?

C) Which values among your most and least important selections might cause problems for you in the future—at work and/or in your personal life? What problems might they cause, and why? How might you prepare now to best deal with these problems in the future?

D) How might your choices of most and least important values turn out to be major strengths or assets for you—at work and/or in your personal life, and why?

Teaching Notes:

This feature offers students a chance to determine their personal values system by taking the Terminal Values Assessment (goals individuals would like to achieve in their lifetimes) in the Skill-Building Portfolio. The assessment tool is intended to help students reflect on their values. Examples include: family security, freedom, mature love, pleasure, happiness, self-respect, wisdom, an exciting life, a world at lease, and so on.

Ask students to maintain their scores and reflections throughout the course and write a summary of the areas they want to strengthen, or change, as they develop as managers or employees.

This may be a comprehensive special project near the end of the quarter/semester.

Class Exercise: Confronting Ethical Dilemmas

Preparation

Read and indicate your response to each of the following situations.

1. Ron Jones, vice president of a large construction firm, receives in the mail a large envelope marked "personal." It contains a competitor's cost data for a project that both firms will be bidding on shortly. The data are accompanied by a note from one of Ron's subordinates saying: "This is the real thing!" Ron knows that the data could be a major advantage to his firm in preparing a bid that can win the contract. What should he do?

2. Kay Smith is one of your top-performing team members. She has shared with you her desire to apply for promotion to a new position just announced in a different division of the company. This will be tough on you because recent budget cuts mean you will be unable to replace anyone who leaves, at least for quite some time. Kay knows this and, in all fairness, has asked your permission before she submits an application. It is rumored that the son of a good friend of your

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boss is going to apply for the job. Although his credentials are less impressive than Kay's, the likelihood is that he will get the job if she doesn't apply. What will you do?

3. Marty José got caught in a bind. She was pleased to represent her fi rm as head of the local community development committee. In fact, her supervisor's boss once held this position and told her in a hallway conversation, "Do your best and give them every support possible." Going along with this, Marty agreed to pick up the bill (several hundred dollars) for a dinner meeting with local civic and business leaders. Shortly thereafter, her supervisor informed everyone that the entertainment budget was being eliminated in a cost-saving effort. Marty, not wanting to renege on supporting the community development committee, was able to charge the dinner bill to an advertising budget. Eventually, an internal auditor discovered the charge and reported it to you, the personnel director. Marty is scheduled to meet with you in a few minutes. What will you do?

Instructions

Working alone, make the requested decisions in each of these incidents. Think carefully about your justification for the decision. Meet in a group assigned by your instructor. Share your decisions and justifications in each case with other group members. Listen to theirs. Try to reach a group consensus on what to do in each situation and why. Be prepared to share the group decisions, and any dissenting views, in general class discussion.

Teaching Note

This is an extremely useful exercise for exposing students to the kinds of ethical dilemmas that they can expect to experience in their careers. As such, it provides them with an opportunity to consider how they will respond to such dilemmas. During in-class discussions of these dilemmas, allow all students to discuss their anticipated responses. There will likely be considerable variability in their answers, with some students selecting much more "ethical" responses than others. During your discussion, emphasize the long-term advantages of selecting highly ethical responses (*e.g.*, maintaining one's integrity, demonstrating to others that you can be trusted, and having a clear conscience), since these advantages may not be immediately apparent to all members of the class. Finally, instruct students to use the following *checklist for making ethical decisions* to evaluate their initial responses to each of these dilemmas. Doing so should prove to be beneficial in separating unethical from ethical responses to these dilemmas.

A Quick Check for Dealing with Ethical Dilemmas

Step 1. Recognize the ethical dilemma.
Step 2. Get the facts and identify your options.
Step 3. Test each option: Is it legal? Is it right? Whom does it affect? Who benefits? Who gets hurt?
Step 4. Decide which option to follow.
Step 5. Double-check with the spotlight questions:

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"How will I feel if my family finds out about my decision?"
"How will I feel if my decision is reported in the local newspaper or posted on the Internet?

Step 6. Take action.

Team Project: Organizational Commitment to Sustainability

Instructions

In your assigned work teams do the following:

1. Agree on a definition of "sustainability" that should fit the operations of any organization.
2. Brainstorm audit criteria that can be used to create a Commitment to Sustainability Scorecard (CSS) that can be used to assess the sustainability practices of an organization.
3. Formalize your list of criteria, and then create a formal CSS worksheet that can be used to conduct an actual audit. Be sure that an organization being audited would not only receive scores on individual dimensions or categories of sustainability performance but also receive a total overall "Sustainability Score" that can be compared with results for other organizations.
4. Present and defend your CSS to the class at large.
5. Use feedback received from the class presentation to revise your CSS to be used in an actual organizational sustainability audit.
6. Use your CSS to conduct a sustainability audit for a local organization.

Instructor's Note:

When asked to perform original research with an actual organization, students sometimes struggle with gaining access. Remind them that their workplaces, internship sites, friends and relatives can often facilitate making contact at prospective sites which illustrates the value of having and using effective networks.

Step #3 is an excellent opportunity for helping students to understand how to set measurable criteria for evaluation. These are an important part of the critical thinking process.

Case Study: Patagonia: Leading a Green Revolution

The case for this chapter is Patagonia: Leading a Green Revolution. Instructors may consider suggesting students visit Patagonia's website at www.patagonia.com for further preparation as they prepare case answers.

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Case Analysis Questions

1. Discussion Patagonia has a history of putting sustainability ahead of profits. But it also has to face up to everyday business realities and the need for operating capital. How do you think the company decides which products to offer so that the outcomes will be both business practical and environmentally friendly? And, with Chouinard such an important influence on company ideals and values, what can be done now to ensure that his positive impact is still felt long after he leaves the company?

The company decides which products to offer by evaluating its environmental and social footprint. ***The Footprint Chronicles*** *on the Patagonia website is an online interactive world map that pinpoints key suppliers in every textile mill and factory in its supply chain. It also features videos of how each product is made. Interestingly, on Black Friday, the notorious biggest shopping day of the year after Thanksgiving, the company purchased a full page ad in The New York Times featuring one of their best selling fleece jackets with the caption, "Don't Buy This Jacket." The advertisement, part of Patagonia's "Common Threads Initiative," suggests that people think about the environmental impact (what they refer to as the potential of "environmental bankruptcy"), of their consumption patterns. The ad copy states that each garment the company makes takes something from the planet that can't be given back. In addition to that, each garment made emits several times its weight in greenhouse gases, scrap, and copious amounts of freshwater.*

To assure that Patagonia's culture of sustainability remains intact long after Chouinard's departure requires an ongoing commitment to his deeply held belief system, company culture and sustainable business model. With a continued commitment to Chouinard's philosophy to innovate and improve side-by-side with sustainable business practices, his influence on the company will continue to live on.

2. Problem Solving Let's suppose Yvon Chouinard comes to you, a new employee, and asks for a proposal on a timely and "forward looking" sustainability agenda for the firm. In other words, he wants a program that can drive Patagonia's future and not just celebrate its past. What would you include in this agenda and why?

Ideas may include:

- *Sponsoring sustainable food products (Chouinard has started a sustainable salmon fishing operation).*
- *Sustainable eco-friendly travel and volunteer adventure tours that include choosing from a variety of volunteer projects in different countries where Patagonia's products are made.*
- *Packaging alternatives to reduce the use of fossil fuel and to save resources*

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- *Best practices consulting services (as they have done at Wal-Mart) to include evaluation of fibers and manufacturing practices and more effective supply chain management practices.*
- *Chouinard's book, "The Responsible Company," offers many profit-making ideas without inflicting undue societal harm. He has even started his own sustainable salmon fishery.*
- *Encourage students to check out Patagonia's website showcasing its Footprint Chronicles, which demonstrates the transparency of Patagonia's sustainability efforts and even indicates the metrics of a products' carbon footprint in its supply chain from manufacture through delivery.*

3. Further Research Could ethics lose out to greed even in a company with the idealism of Patagonia? See if you can find examples of decisions that forced people in the firm to make difficult choices between ethics and profitability. Look for examples of decisions made at other companies that may have resulted in different ethics versus profitability choices. Try to explain through the examples what makes the difference between organizations where ethics and social responsibility are part of core values and those where they are more superficial issues. Could ethics lose out to greed even in a company with the idealism of Patagonia? See if you can find examples of decisions that forced people in the firm to make difficult choices between ethics and profitability. Analyze the decisions and their outcomes. Look for examples of decisions made at other companies that may have resulted in different ethics vs. profitability choices. Try to explain through the examples what makes the difference between organizations where ethics and social responsibility are part of the fabric and those where they are more superficial issues.

Examples of difficult choices between ethics and profitability:

- *Like many companies in the early 2000s, Patagonia also made the choice to lower its labor costs by working with more factories. This resulted in doing business with more factories than they could handle, and the conditions in each factory, once something the company prided itself upon, were not closely monitored. The decision to reduce expenses also cost the company reduced product quality and fewer on-time deliveries. Customers became irate and the company lost profit due to an increased number of returns.*

Other companies who made ethics vs. profitability choices:

- *In the midst of obesity and diabetes reported at epidemic proportions, fast food companies and processed and packaged food giants make a conscious effort to get people hooked on foods that are convenient and inexpensive. Most of the products contain large amounts of salt, sugar, and fat – all which make the food items tastier.*
- *Pharmaceutical companies pouring research and development dollars into drugs sold to those able to afford the medication. Keep in mind the number of people in less developed countries who are victims of diseases and too poor to afford medication. Though in need, they're less likely to be a focus of large pharmaceutical companies.*
- *Manufacturing companies engaged in product and production processes which cause harm (pollution and habitat destruction) to members of a community. British Petroleum's*

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public safety record had been questioned long before the Deepwater Horizon oil rig exploded on the Gulf of Mexico in April 2010.

- *Health insurance companies achieving profitable results as a result of what the industry touts euphemistically as "medical management," code for denying claims and coverage for doctor-ordered care.*
- *The treatment of workers in overseas manufacturing plants, most of whom are producing products for U.S. companies to sell at a hefty profit.*

The difference between organizations that practice ethics and social responsibility compared to those that do so superficially, is:

- *In today's business climate, consumers expect transparency and better business practices.*
- *In addition, businesses are in an excellent position to create long-term and sustainable change. Customer and employee engagement can also increase when a company has something, other than profits, good to talk about, which in turn, raises awareness about issues of concern.*
- *A company's sustainability efforts can also increase innovation.*
- *Companies who practice CSR superficially cannot hide from consumers and other special interest groups.*
- *Word spreads quickly through social media outlets and online about companies who do not "practice what they preach."*

Additional Exercises for Chapter:

Ethics Exercise

Break the class into teams of three or four and ask each group to take a survey within their group, summarize their findings and discuss the implications.

Note: The questions listed below should be phrased if they know "anyone" who has ever done the behavior described, and *not to disclose whether they themselves have.* This will allow for more open discussion while providing personal privacy.

Here are ten questions (you may write these on the board, post on a message board, or use handout surveys) to discuss and summarize results (ask them to provide a specific tally count for each question) within each group: "Have you ever known anyone (this may include yourself) who …

- Worked in a restaurant or bar and did not report all tips earned to the IRS?

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- Paid money to a babysitter for child care but did not report it to the IRS?
- Painted, built decks, or did other types of contracting work, and did not report all income to the IRS?
- Cheated on an exam?
- Took supplies such as copy paper, pens, etc. from work?
- Using work time, surfed the World Wide Web for personal use or to pass time?
- Called in sick when not sick for a "free" day off?
- Lied on an expense report (exaggerated actual meal cost etc.)?
- Stole from a warehouse or retail store that they worked in?
- Has witnessed an ethical issue by another at work or school and did not report it to the teacher, authorities or the manager etc.?

Students then should discuss these questions and discuss how "serious "each is perceived to be. Are some very accepted in our society? If so, why is that?

Is it a big "leap" from these behaviors to CEO "scandals "such as the Enron fraud case? As individuals get promoted, does ethical behavior improve, stay the same, or worsen?

Allow teams about 20-30 minutes for this exercise. The teams will then report to the class the summaries of their conclusions.

Take the students tally and summarize the total tally by questions. The results will provoke further questions and discussion.

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