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SKU: 9781119498414-SOLUTIONS

CHAPTER 2
BUSINESS ETHICS AND SOCIAL RESPONSIBILITY

Chapter Overview

Although most organizations practice ethical business conduct while making a profit, in recent years some have continued to face challenges in overcoming major ethical lapses. Ethical failures in several large or well-known companies have led to lawsuits, CEO firings, huge fines associated with legal settlements, and sometimes even failure. The reputation of corporations has suffered in the recent past as news and social media reports of scandals spread like wild fire. In the wake of ongoing news reports of corporate wrongdoing, companies have become increasingly aware of the importance of conducting themselves in an ethical manner—and one that reflects a responsibility to customers, to society, to consumers, and to the environment.

As we discussed in Chapter 1, the underlying goal of business is to serve customers at a profit. But most companies today try to do more than that, looking for ways to give back to customers, employees, society, and the environment. Sometimes they face difficult decisions in the process. When does a company's self-interest conflict with the well-being of society and customers? And must the goal of the pursuit of profits conflict with conducting business ethically and above board? A growing number of entities of all sizes are proving that profitability does not have to come at the expense of ethics.

Glossary of Key Terms

Business ethics: standards of conduct and moral values regarding right and wrong actions in the work environment
Code of conduct: formal statement that defines how an organization expects its employees to resolve ethical issues
Conflict of interest: situation in which an employee must choose between a business's welfare and personal gain
Consumerism: public demand that a business consider the wants and needs of its customers in making decisions
Corporate philanthropy: effort of an organization to make a contribution to the communities in which it earns profits
Discrimination: biased treatment of a job candidate or employee
Economic model: one in which businesses believe strongly that their sole role is to maximize profits and increase value to shareholders
Equal Employment Opportunity Commission (EEOC): this commission was created to increase job opportunities for women and minorities and to help end discrimination based on race, color, religion, disability, gender, or national origin in any personnel action
Fair trade: a market-based approach to pay higher prices to producers on exports from developing countries to developed countries in order for the developing countries to obtain better trading conditions and promote sustainability
Family leave: the Family and Medical Leave Act of 1993 states that businesses with 50 or more employees must provide unpaid leave up to 12 weeks annually for any employee who wants time

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off for the birth or adoption of a child, to become a foster parent, or to care for a seriously ill relative, spouse, or self if he or she has a serious health condition or injury
Green marketing: a marketing strategy that promotes environmentally safe products and production methods
Integrity: adhering to deeply felt ethical principles in business situations
Product liability: the responsibility of manufacturers for injuries and damages caused by their products
Recycling: reprocessing of used materials for reuse
Sarbanes-Oxley Act of 2002: federal legislation designed to deter and punish corporate and accounting fraud and corruption and to protect the interests of workers and shareholders through enhanced financial disclosures, criminal penalties on CEOs and CFOs who defraud investors, safeguards for whistle-blowers, and establishment of a new regulatory body for public accounting firms
Sexism: discrimination against members of either sex, but primarily affecting women
Sexual harassment: unwelcome and inappropriate actions of a sexual nature in the workplace
Social audit: formal procedure that identifies and evaluates all company activities that relate to social issues such as conservation, employment practices, environmental protection, and philanthropy
Social responsibility: business's consideration of society's well-being and consumer satisfaction, in addition to profits
Socioeconomic model: the belief is that business, as part of its role, owes its existence to improving the society in which it operates
Stakeholders: customers, investors, employees, and public affected by or with an interest in a company
Sustainable: the capacity to endure in ecology
Triple bottom line: strategic business approach used by companies to evaluate performance by placing equal value on financial, social, and environmental factors
Whistle-blowing: employee's disclosure to company officials, government authorities, or the media of illegal, immoral, or unethical practices committed by an organization

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Annotated Lecture Outline

Learning Objective 1

Explain the concern for ethical and societal issues.

Business ethics refers to the standards of conduct and moral values that businesspeople rely on to guide their actions and decisions in the workplace. Businesspeople must take a wide range of social issues into account when making decisions. Social responsibility refers to management's acceptance of the obligation to put an equal value on profit, consumer satisfaction, and societal well-being in evaluating the firm's performance.

Opening Vignette: Changemaker Recent statistics reveal that only 18% of computer science graduates are women, with the percentage gradually declining since the 1980s. In 2012, with 20 girls in New York City, Reshma Saujana, a lawyer and politician, founded Girls Who Code with the single mission of closing the gender gap in technology. Girls Who Code, a nonprofit organization, is now a national movement that includes programs during the academic schoolyear teaching middle school and high school girls computing skills like programming, robotics, and web design. Currently, there are 1,500 Girls Who Code clubs across America, and corporate partners play a key role in funding.	
CONCERN FOR ETHICAL AND SOCIETAL ISSUES	**PowerPoint Slide 3 and 4**
1. Business Ethics Business ethics are the standards of conduct and moral values regarding right and wrong actions in the work environment.	
2. Business Ethics in Practice	

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a. Conflicts sometimes arise when trying to serve the different needs of a firm's separate constituencies—customers, employees, investors, and society as a whole.	<u>*Lecture Enhancer:*</u> *Can you think of a situation in which the needs of investors might be in conflict with the needs of customers?*
b. Business ethics are shaped by:	<u>*Class Activity:*</u> *Have students discuss being faced with a recent personal or professional ethical dilemma and its ethical climate.*
i. the ethical values of executives and individual employees	
ii. the ethical climate—a company's stated beliefs and real actions	<u>*Class Activity:*</u> Study a few different codes of conduct. Is there a common theme? Do they improve ethical behavior within an organization?
iii. a company's code of conduct and ethical standards	
iv. a framework to encourage high ethical standards from workers.	<u>*Lecture Enhancer:*</u> Ethisphere's annual World's Most Ethical Companies list can be found here: https://www.worldsmostethicalcompanies.com/

Assessment Check Answers:

1.1 To whom do businesses have responsibilities?
Businesses are responsible to customers, employees, investors, and society.

1.2 If a company is meeting all its responsibilities to others, why do ethical conflicts arise?
Ethical conflicts arise when business is trying to serve the different needs of its constituents.

<u>Learning Objective 2</u>
Describe the contemporary ethical environment.
Among the many factors shaping individual ethics are personal experience, peer pressure, and organizational culture. Individual ethics also are influenced by family, cultural, and religious standards. In addition, the culture of the organization where a person works can be a factor.

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THE CONTEMPORARY ETHICAL ENVIRONMENT	**PowerPoint Slide 5**
1. The Ethical Environment	
a. Business ethics are in the spotlight as companies have to work harder to earn public trust.	*Lecture Enhancer:* *Common workplace ethical dilemmas include: conducting personal business on company time, taking credit for the work of others, withholding information, waste, and theft.*
a. Most managers have led companies without compromising ethics. One example of a corporate leader with a long-standing commitment to employee welfare, ethical practice, and corporate social responsibility is Howard Schultz of Starbucks.	*Class Activity:* *Make a list of newsworthy or high-profile investigations having to do with breaking codes of ethics. How many were financial related? Do you find these surprising or unexpected?*
i. Operating in 65 countries with more than 21,000 stores, Starbucks has earned the number one ranking in the area of social responsibility from Fortune Magazine's Most Admired Companies	**PowerPoint Slide 6** Figure 2.1 Starbucks Standards of Business Conduct
ii. one of the first retailers to offer comprehensive health coverage to part-time employees (and their families) working 20 hours or more per week	
iii. full tuition reimbursement to eligible part- and full-time employees who wish to earn a college degree	
iv. The Starbucks C.A.F.E. practices (Coffee and Farmer Equity) include four key areas: quality, economic accountability and transparency, social responsibility, and environmental leadership.	*Class Activity:* *Have students read Starbucks Standards of Business Conduct. Identify each of the groups to which the company has made a commitment.*

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b. Many companies are conscious of how ethical standards can translate into concern for the environment. The Coca-Cola Company released its global sustainability report, highlighting the following three goals:	**PowerPoint Slide 7**
i. Coca-Cola Company introduced three sustainability goals: 1) to economically empower 5 million entrepreneurs across its value chain by 2020, 2) to meet 2020 water use and efficiency reduction and replenishment goals, and 3) to offer more than 400 new beverage options.	*Lecture Enhancer:* *Discuss Coca-Cola's goal of lower calorie options in light of the current childhood obesity epidemic. Does this make good business sense?*
ii. Coca-Cola's goal is to reduce its environmental impact by 25 percent by 2020, a goal that is part of its climate protection program.	
c. The ethical environment seems to be improving despite the recession. A recent survey conducted by the Ethics Resource Center found:	*Class Activity:* *Ask students to review the company's Global Sustainability report, and to assess how environmental goals are measured.*
i. workplace misconduct had decreased	
ii. more employees said they reported misconduct when they saw it	
iii. some employees reported that despite strong ethical cultures, they still felt pressure to cut corners in the difficult economy.	
2. Government Regulations	**PowerPoint Slide 8**
a. Sarbanes-Oxley Act of 2002: Federal legislation designed to deter and punish corporate and accounting fraud and corruption and to protect the interests of workers and shareholders through enhanced financial disclosures, criminal penalties on CEOs and CFOs who defraud investors, safeguards for whistle-blowers, and	*Lecture Enhancer:* *Opponents to Sarbanes-Oxley (SOX) have contended that SOX was an unnecessary and costly government intrusion into*

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establishment of a new regulatory body for public accounting firms.	*corporate management that drives business outside the US. and places U.S. corporations at a competitive disadvantage on a global basis.*
i. The act established new regulations for securities trading and accounting practices.	*Class Activity:* *The "whistleblower provision" of SOX protects employees of publicly traded companies from retaliation for bringing certain perceived corporate wrongdoings to light. Ask students their thoughts about an anonymous 800 number where employees can call to report corporate wrongdoings. Is this snitching? Or is it reporting valid information?*
ii. Companies must publish their code of ethics and inform the public of any changes to it.	
iii. It may encourage companies to write codes and guidelines for ethical behavior.	
b. U.S. Sentencing Commission institutionalizes ethics compliance programs that set high ethical standards to end corporate misconduct.	Table 2.1 Minimum Requirements for Ethics Compliance Programs
3. How Companies Regulate Themselves	**PowerPoint Slides 9 and 10**
a. Companies appoint ethics compliance officers who:	*Lecture Enhancer:* *How has technology benefited the workplace? Would you consider technology a contributor to the ethical lapses pervasive in today's workplace?*

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i. conduct employee training programs that help spot potential fraud and abuse within the firm	
ii. investigate sexual harassment and discrimination charges	
iii. monitor any potential conflicts of interest.	
b. Many companies have a three-pronged approach to addressing ethics and social responsibility:	
i. engage in corporate philanthropy	*Class Activity:* *Poll students to determine why ethics and compliance challenges have become increasingly complex.*
ii. anticipate and manage risks	
iii. identify opportunities to create value by doing the right thing.	
4. Individuals Make a Difference	**PowerPoint Slide 11**
a. Individuals can affect ethical expectations and behavior in the workplace.	*Lecture Enhancer:* *Facebook, UnderArmour, Equifax, Panera, and the list of online and retail cyber-attacks goes on. Companies are becoming more vulnerable to cyber-attacks, making customer credit card information more vulnerable.*
b. Some workers act illegally or unethically on the job.	
i. The National Business Ethics Survey identifies unethical behavior as 1) putting one's own interests ahead of the organization, 2) lying, 3) misreporting hours worked, 4) Internet abuse, and 5) safety violations, among others.	
c. Technology seems to have expanded the range and impact of unethical behavior.	

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i. Computers allow anyone with access the potential to steal data or shut down a system.	
ii. A data breach at Experian exposed 15 million customer records.	
d. Nearly every employee wrestles with ethical questions at some point.	*Lecture Enhancer:* *How much personal time do you spend online while at work? How do employees justify the ethics of web surfing on the company's dime?*
i. Some rationalize unethical behavior by saying "Everybody's doing it."	
ii. Some act unethically when forced to meet performance quotas.	
iii. Others avoid actions that conflict with personal values and morals.	
5. Development of Individual Ethics	**PowerPoint Slide 12** Figure 2.2 Stages of Moral and Ethical Development
1. People develop ethical standards in three stages: preconventional, conventional, and postconventional.	
a. Stage 1 = preconventional stage:	*Lecture Enhancer:* *A person's family, educational, cultural, and religious background can shape responses to different situations.*
i. Individuals consider their own needs and desires when making decisions.	
ii. Individuals obey external rules only because they fear punishment or hope for rewards.	
b. Stage 2 = conventional stage:	

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i. Individuals act based on their duty to others, including family, coworkers, and organizations.	*Class Activity:* *Ask students about the origination of their moral compass. Has religion or family contributed?*
ii. They decide what is acceptable based on the influence of these groups.	
iii. Self-interest still plays a key role in decisions.	
c. Stage 3 = postconventional stage:	
i. Highest level of ethical and moral behavior	
ii. Individual moves beyond self-interest and duty to thinking of the larger needs of society.	
iii. Individual has developed personal ethical principles and applies those principles to determine what is right or wrong in a situation.	
6. On-the-Job Ethical Dilemmas	**Job Description: Fund-raiser/Director of Development**
1. Some CEOs who were accused of wrongdoing simply claimed that they had no idea crimes were being committed.	
2. Today's top CEOs are making a greater effort to be informed of all activities taking place in their firms.	
Four common ethical challenges: conflict of interest, honesty and integrity, loyalty versus truth, and whistle-blowing	**PowerPoint Slides 13 & 14** Figure 2.3 Common Business Ethical Challenges Loyalty versus Truth
a. Conflicts of Interest	
a. A conflict of interest occurs when a businessperson is faced with a situation in which an action benefiting one person or group has the potential to harm another.	*Lecture Enhancer:* *Think of a hypothetical situation where the honesty and integrity of an employee might help to inspire a*

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	customer's trust in the company.
i. A person's interests might conflict with those of someone to whom the person has an obligation.	
ii. A person may do business with two parties with opposing interests; a strategy that helps one might hurt the other.	*Class Activity:* *Ask students if they think accepting Super Bowl tickets and trip expenses from a potential major supplier might affect their decision-making as a buyer of that company's products.*
iii. Individual interests might clash with those of an organization or its customers, including the receipt of gifts or bribes.	
iv. A person might hold two or more similar jobs in two different workplaces.	
b. Ethical ways of handling conflicts of interest include:	
i. avoiding them	
ii. disclosing them.	
b. Honesty and Integrity	
a. Employers value honesty and integrity.	
i. An employee who is honest can be expected to tell the truth.	
ii. An employee with integrity goes beyond truthfulness by sticking to deeply felt ethical principles and acting on them.	
iii. Integrity means doing what you say you will do and taking responsibility for mistakes.	

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b. Honesty and integrity inspire trust.	
i. This helps build relationships with customers, suppliers, employers, and the public.	
ii. Employees want companies to treat them with honesty and integrity.	
c. Workplace violations of honesty and integrity are common.	
i. People misrepresent academic credentials and previous work experience on résumés.	
ii. Some take home office supplies or products without permission.	
iii. Many do personal business at work.	
d. Electronic monitoring allows firms to monitor excessive or illicit Internet use and to keep client data secure.	
c. Loyalty Versus Truth	
a. Businesspeople expect employees to be loyal and to act in the best interests of the company.	
b. When the truth about a firm is not favorable, ethical conflicts arise.	*Class Activity:* *Obtain examples of workplace situations in which students struggled with whether their employer was misrepresenting important product information.*
i. Individuals have to decide between loyalty to the company and truthfulness.	
ii. Some value loyalty at the expense of truth.	
iii. Some avoid volunteering negative information but answer truthfully if someone asks them a specific question.	

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iv. Others value the truth and disclose negative information, especially concerning health or safety issues.	
d. Whistle-Blowing	
a. Whistle-blowing is an employee's disclosure to company officials, government authorities, or the media of illegal, immoral, or unethical practices.	
b. When an individual encounters unethical or illegal actions at work, that person must decide what action to take.	
c. The firm may resolve issues itself.	
d. If that fails, the person should weigh the potential damages to the greater public good versus the company.	
e. Whistle-blowing may be the only option when:	
i. unethical behavior is causing significant damage	
ii. potential damage to others outweighs the risk of retaliation.	
f. The risks can be real, as whistle-blowers have been fired, threatened, and harassed.	
g. Laws protect whistle-blowers.	
i. The Sarbanes-Oxley Act requires that companies provide ways to anonymously report accusations of fraud.	
ii. Anyone who retaliates against a whistle-blower can be prosecuted.	
iii. Those who are wrongly treated can file a complaint with the U.S. Department of Labor.	*Lecture Enhancer: Discuss whether the companies for which students work have policies in place to protect whistleblowers and provide a clear pathway for reporting questionable incidents.*

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Assessment Check Answers:

2.1 What role can an ethics compliance officer play in a company?
Ethics compliance officers are charged with deterring wrongdoing and ensuring that ethical standards are met.

2.2 What are the three components of a typical company's approach to ethics and social responsibility?
The three components are (1) engaging in typical corporate philanthropy; (2) anticipating and managing risks; and (3) identifying opportunities to create value by doing the right thing.

Job Description: Fund-raiser/Director of Development
Summary

Fund-raisers work primarily for nonprofit organizations, including educational institutions, charitable organizations, healthcare foundations, and political campaigns. Most nonprofits have a development department, which conducts fund-raising campaigns and focuses on ways to supplement funding with donations, grants, sponsorships, and gift s-in-kind (gift s other than cash donations). To make up shortfalls in funding, organizations need fund-raisers to solicit money from individuals as well as other groups or organizations.

Driven by the need to raise funds on a continuing basis, job prospects for fund-raisers is expected to increase 9% annually, faster than many other occupations. For those with excellent communication and organizations skills, along with a passion for a specific cause, fund-raising is an excellent career opportunity.

Learning Objective 3:
Discuss how organizations shape ethical conduct.
Choices are strongly influenced by the standards of conduct established within any organization. Most ethical lapses in business reflect the values of the firms' corporate cultures. Development of a corporate culture to support business ethics happens on four levels: ethical awareness; ethical education; ethical action; and ethical leadership. Ethical awareness involves providing help to employees in identifying ethical problems when they occur and giving them guidance about how the firm expects them to respond. One way to provide this support is to develop a code of conduct for the organization. Ethical education involves implementing an ethics training program for employees or hiring an outside firm to develop ethics and compliance programs for the organization. Ethical action involves companies providing structures and approaches for employees that allow decisions to be turned into appropriate business actions. Ethical leadership involves commitment to the company's core values at all levels of the organization.

HOW ORGANIZATIONS SHAPE ETHICAL CONDUCT	**PowerPoint Slide 15** Figure 2.4 Structure of an Ethical Environment

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Development of a corporate culture to supp business ethics happens on four levels: – ethical awareness – ethical reasoning – ethical action – ethical leadership.	
1. Ethical Awareness	**PowerPoint Slide 16**
a. The foundation of an ethical climate is ethical awareness.	
b. A code of conduct is a formal statement that defines how the firm expects its workers to resolve ethical questions.	*Class Activity:* *Survey the class to see how many students work for companies that enforce a code of conduct.*
i. It may specify rules for acceptable behavior.	**Judgment Call: Goldman Sachs Analysts Fired for Cheating**
ii. It may identify key corporate values and state how to address moral and ethical issues.	
iii. Some firms incorporate codes in their policy manuals or mission statements.	*Class Activity:* *Discuss a recent ethical dilemma you faced at work or school. How was it resolved?*
2. Ethical Education	**PowerPoint Slide 17**
a. Businesses must provide the tools employees need to evaluate the options and arrive at suitable decisions.	*Lecture Enhancer:* *The purpose of a corporate ethics program is increase the likelihood that people will act ethically rather than making them ethical.*
b. Some firms run ethics training programs.	
i. Workers practice using ethical values in hypothetical scenarios.	*Class Activity:* *Have students discuss a business culture where it's easier to do the wrong thing than the right thing, and, conversely,*

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	one where it's easier to do the right thing than the wrong thing.
ii. They then can apply the training to real-world situations.	
3. Ethical Action	**PowerPoint Slides 18 & 19**
a. Companies provide structures that show how to turn decisions into actions.	*Class Activity:* *Ask students if they can think of any examples where an action may be legal but unethical.*
b. Goals set for the organization, departments, or individuals affect ethical behavior.	
i. Unrealistic goals may lead to questionable behavior.	
ii. The value of speed creates a climate that prevents careful thought and challenges ethical behavior.	
c. Companies can support employees facing moral dilemmas by offering a hotline.	*Lecture Enhancer:* *Rank the Starbucks questions in order of your own personal importance. What would you add, if anything, to this?*
d. Ethics compliance officers can help workers.	
4. Ethical Leadership	**PowerPoint Slide 20**
a. Executives must demonstrate ethical behavior in their actions.	*Lecture Enhancer:* *In today's global economy, it can be increasingly complex and challenging for companies to meet profit expectations of shareholders, while addressing regulatory, compliance and environmental and sustainability issues. It requires the commitment of a strong leader.*

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b. Firms need to charge each employee with the responsibility to be an ethical leader.	
c. All workers should be made aware of problems and defend company standards.	
d. Not all organizations build a framework of business ethics.	*Class Activity:* *Ask students for examples of leaders who "walked the talk" and provided strong ethical leadership.*
i. Damage from misconduct affects stakeholders—customers, investors, employees, and the public.	
ii. Legislation regulates businesses that fail to regulate themselves.	
iii. Laws focus on international business, small business, labor unions, banking, and securities.	

Judgment Call: Goldman Sachs Analysts Fired for Cheating

Summary

Despite the tremendous odds of landing a job at Goldman Sachs, a group of 20 securities analysts was recently fired after it was discovered they cheated on a training test. Most investment firms like Goldman Sachs test employees on their knowledge of key policies, industry concepts, and compliance and regulatory matters. Traditionally, new analysts have not taken the tests very seriously while completing the five-week training program in New York. Reports suggest the tests have typically been taken in a collaborative manner—with test takers consulting each other about answers or using company computers to research information on the Internet. One source says that Goldman Sachs was explicit in telling new recruits what was (and was not) permissible.

Questions for Critical Thinking

1. Why do you think test takers assumed that a collaborative approach to taking the exam was acceptable behavior?

There could be various reasons: 1) pressure to pass, 2) no one cared, 3) others were doing it, etc. Students could be asked to brainstorm the possibilities or even asked would they do it and if so, why?

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2. Discuss the importance of taking securities training seriously and why you believe Goldman Sachs fired the analysts.
If this behavior is allowed to pass, it would suggest to others that anything goes at the company. It directly affects the integrity and reputation of the company.

Assessment Check Answers:

3.1 Identify the four levels of a company's ethical environment.
Development of a corporate culture to support business ethics happens on four levels: ethical awareness; ethical education; ethical action; and ethical leadership.

3.2 How does ethical leadership contribute to ethical standards throughout a company?
Employees more readily commit to the company's core values when they see that executives and managers behave ethically.

Learning Objective 4
Describe how businesses can act responsibly to satisfy society.

Today's businesses are expected to weigh their qualitative impact on consumers and society, in addition to their quantitative economic contributions such as sales, employment levels, and profits. One measure is their compliance with labor and consumer protection laws and their charitable contributions. Another measure some businesses take is to conduct social audits. Public-interest groups also create standards and measure companies' performance relative to those standards.

The responsibilities of business to the general public include protecting the public health and the environment and developing the quality of the workforce. In addition, many would argue that businesses have a social responsibility to support charitable and social causes in the communities in which they earn profits. Business also must treat customers fairly and protect consumers, upholding their rights to be safe, to be informed, to choose, and to be heard. Businesses have wide-ranging responsibilities to their workers. They should make sure that the workplace is safe, address quality-of-life issues, ensure equal opportunity, and prevent sexual harassment and other forms of discrimination.

ACTING RESPONSIBLY TO SATISFY SOCIETY	**PowerPoint Slide 21 & 22**
1. Social Responsibility	**Clean & Green Business:** **No GMOs in Cheerios**

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a. Social responsibility is management's acceptance of the obligation to consider profit, consumer satisfaction, and societal well-being of equal value when evaluating the firm's performance.	*Lecture Enhancer:* *Provide an example of a business in your local area that makes environmental concerns a priority.*
i. Firms not only look at profit and sales.	
ii. They are concerned with employee, consumer, and societal benefits.	*Class Activity:* *Ask students about the importance of their dollar votes. In other words, do students choose to spend their dollars with companies who are socially responsible?*
b. Business is socially responsible because:	
i. it is required by law	
ii. it enhances the company's image	
iii. it is ethical.	
c. Historically, the social responsibility of a firm was measured by its contribution to the economy and the employment opportunities it offered.	
d. Today, additional measurements of social responsibility include:	
i. equal employment	
ii. cultural diversity	
iii. environmental concerns	
iv. safe work environment	
v. safe, high-quality products.	
e. Measurements include interactions with the community. Firms highlight their:	
i. charitable contributions	

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ii. community service.	
f. Triple bottom line: strategic business approach used by companies to evaluate performance by placing equal value on financial, social, and environmental factors.	
g. Two contrasting views define the range of an organization's attitude toward social responsibility.	**PowerPoint Slide 23**
i. The socioeconomic model: the belief is that business, as part of its role, owes its existence to improving the society in which it operates. ii. The economic model: businesses believe strongly that their sole role is to maximize profits and increase value to shareholders	
h. Social audits are formal procedures that identify and evaluate company activities as they relate to the following social issues:	
i. Conservation, the environment, employment practices, and philanthropy.	
ii. Social audits show how a company performs and outline improvements.	
I. The social responsibility of a business can be classified according to its relationships with:	**PowerPoint Slide 24** Figure 2.5 Business's Social Responsibilities
i. the general public	*Lecture Enhancer:* *Some companies are committed to employees in a way that sets them apart from their competitors.*
ii. its customers	
iii. its employees	
iv. investors and members of the financial community.	*Class Activity:* *Of the four areas, rank how businesses view their commitment to social responsibility. Discuss how this differs from the way*

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	customers view business's commitment to social responsibility.
3. Responsibilities to the General Public	**PowerPoint Slide 25**
a. Public-Health Issues	**PowerPoint Slide 26** *Lecture Enhancer:* *Discuss how students have disposed of their old computers, smart phones, printers, or related equipment.*
i. What should businesses do about dangerous products?	*Lecture Enhancer:* Discuss the impact of retail drug chain CVS and its decision to stop selling cigarettes.
ii. What should businesses do about serious health conditions such as heart disease, diabetes, obesity, and substance abuse?	*Class Activity:* *Can students think of any examples of products that have portrayed or distorted their food products or beverages as healthier than they actually are?*
b. Protecting the Environment	**PowerPoint Slide 27**
i. Businesses impact the environment through energy consumed, waste produced, and natural resource use.	
ii. Some businesses include steps for protecting the environment in their corporate philosophy.	
iii. Companies are focusing on sustainability: operating in ways that minimize environmental impact as well as replacing used resources.	
iv. Finding ways to minimize pollution has become an important economic, legal, and social issue.	*Class Activity:* *Discuss how students have disposed of their old computers or related equipment.*

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v. Recycling—reprocessing used materials for reuse—can provide manufacturers with materials while reducing pollution.	**Business Model: Hasbro Wins "Best Corporate Citizen" Award**
vi. Green marketing is a marketing strategy that promotes environmentally safe products and production methods. Firms must follow FTC guidelines and provide scientific evidence of being environmentally friendly.	**Figure 2.6 FTC Guidelines for Environmental Claims in Green Marketing** *Lecture Enhancer:* *Can you think of a product that uses green marketing?*
vii. A growing focus is finding renewable sources of clean energy and developing sustainable agriculture.	
c. Developing the Quality of the Workforce	**PowerPoint Slide 28**
i. In the past, a nation's wealth was based on its money, production equipment, and natural resources.	
ii. A country's true wealth lies in its people.	
iii. An educated, skilled workforce provides the know-how to develop technology and compete globally.	
iv. To remain competitive, U.S. businesses must assume more responsibility for improving the quality of its workforce.	*Lecture Enhancer:* *List the initiatives that a human resource department can take to develop a quality workforce. How have some of today's most successful companies done so?*
v. Because many new jobs require college-educated workers, the gap between the highest-paid and lowest-paid workers has increased.	

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vi. Diversity programs allow women, minorities, and the physically challenged workers to contribute fully.	
d. Corporate Philanthropy	**PowerPoint Slide 29**
i. Corporate philanthropy refers to the donation to not-for-profits of billions of dollars annually in the form of cash, free equipment and products, and employee volunteer efforts.	*Lecture Enhancer:* *Both Salesforce.com and Microsoft have nonprofit foundations*.
ii. It can boost employee morale, enhance company image, and improve customer relationships.	*Class Activity:* Have students discuss whether they have ever volunteered as a company employee on company time.
iii. In cause-related marketing, firms align advertising with charitable giving and corporate sponsorships.	
iv. Encouraging volunteerism among employees is another form of corporate philanthropy.	**Business & Technology:** **John Deere Uses Artificial Intelligence to Increase Yield and Kill Weeds**
4. Responsibilities to Customers	**PowerPoint Slide 30**
Consumerism is the public demand that a business consider the wants and needs of its customers in making decisions.	*Lecture Enhancer:* *What is a company ethically required to do if it discovers one of its products may not be safe?*
Consumerism is based on the belief that consumers have certain rights.	Figure 2.7 Consumer Rights as Proposed by President Kennedy
a. The Right to Be Safe	
i. Businesses must ensure that their products operate safely.	*Lecture Enhancer: What is a company ethically required to do if it*

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	discovers one of its products may not be safe?
ii. Product liability is the responsibility of manufacturers for injuries and damages caused by their products.	
iii. A company must thoroughly test its products.	
b. The Right to Be Informed	
i. Consumers should have access to product information to make responsible buying decisions.	*Class Activity:* *For each of the consumer rights, provide an example using your personal experience as a consumer.*
ii. Truth in advertising is protected by rules and regulations set up by the FTC and other agencies.	
iii. It is illegal for a business to make unsubstantiated claims about its merchandise.	
iv. The FDA sets standards for advertising by drug manufacturers as well as dietary supplements.	
v. All communications with customers—including salespeople's comments, warranties, and invoices—must be clear and accurate.	**Table 2.2: Well-Known Product Liability Cases**
c. The Right to Choose	
i. Consumers have the right to choose which goods and services they need and want to purchase.	
ii. Socially responsible companies preserve this right, even if it has a negative impact on sales and profits.	
d. The Right to Be Heard	
i. Consumers have the right to express legitimate complaints.	
ii. Many companies ensure full hearings for consumer complaints.	

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5. Responsibilities to Employees	**PowerPoint Slide 31**
Businesses are responsible to workers here and abroad in terms of safety, quality-of-life issues, and equal opportunity.	
They must avoid age discrimination, sexism, and sexual harassment.	*Lecture Enhancer:* *How do you think firms should handle absenteeism?*
a. Workplace Safety	**PowerPoint Slide 32**
i. A century ago, workplace safety was of little concern.	
ii. OSHA (Occupational Safety and Health Administration) was established to set workplace safety and health standards.	*Class Activity:* *Ask students if they have ever observed a workplace safety issue at work.*
iii. It creates rules for specific industries, tracks workplace accidents, and has the authority to fine employers who are found liable for injuries and deaths.	
iv. 90 teens die every year in the United States as a result of work injuries, mostly due to unsafe equipment, inadequate training, and dangerous or illegal work.	
b. Quality-of-Life Issues	PowerPoint Slide 33
i. Balancing work and family has become more challenging due to changing demographics.	
ii. Working mothers and single parents must handle childcare issues while working long hours.	
iii. Many are in the sandwich generation, caring for young children and elderly parents at the same time.	
iv. Some firms offer telecommuting, flexible schedules, job sharing, and access to childcare.	
v. Some women are starting their own businesses so that they can set their own hours and goals.	

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vi. Some companies are approaching paid time off in innovative ways, such as allowing open-ended vacation time as long as projects are completed.	
vii. The Family and Medical Leave Act says firms of 50 or more must give unpaid leave to workers dealing with parenting issues, family health, or their own serious illness.	
c. Ensuring Equal Opportunity on the Job	PowerPoint Slide 34
i. Businesses face challenges in managing an increasingly diverse workforce.	
– Technological advances are expanding the ways people with disabilities can contribute in the workplace.	
– Businesses need to find ways to responsibly recruit and manage older workers.	
– Companies have begun to provide benefits regardless of the sexual orientation of employees.	
ii. Diversity in business is largely regulated by law.	
iii. The Civil Rights Act (1964) outlawed discriminatory practices, and Title VII of this Act specifically prohibits discrimination—biased treatment of a job candidate or employee—in the workplace.	PowerPoint Slide 35 Table 2.3 Laws Designed to Ensure Equal Opportunity
iv. The EEOC (Equal Employment Opportunity Commission) was created to increase job opportunities for women and minorities and to end discrimination based on race, color, religion, disability, gender, or national origin in any personnel action.	
– investigates charges of discrimination and harassment	
– files lawsuits against violators	

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– helps employers set up programs to increase job opportunities for people in protected categories	
– starting to focus on "systemic discrimination," where the alleged discrimination has a broad impact on an industry, profession, company, or geographic location.	
d. Age Discrimination	**PowerPoint Slide 36**
i. More than half the workforce will be age 40 or older in a few years.	
ii. Some employers find it less expensive to hire and retain younger workers, who have lower salaries and fewer benefits than older workers.	***Class Activity:*** *Ask students to provide examples of executives by age group.*
iii. The Age Discrimination in Employment Act of 1967 (ADEA) protects individuals who are age 40 or older.	
iv. Older workers might not only have more experience but more enthusiasm.	
v. The 55-to-64 age group will increase from 18 to 24 percent of the workforce during the next few years.	
e. Sexual Harassment and Sexism	**PowerPoint Slide 37**
i. Sexual harassment refers to unwelcome or inappropriate action of a sexual nature in the workplace.	
ii. It violates the Civil Rights Act of 1964, which protects both men and women.	
iii. Nearly 14,000 sexual harassment complaints are filed with the EEOC each year, of which 16 percent are filed by men.	
iv. Two types of sexual harassment: 1) When an employee is pressured to comply with unwelcome advances and requests for	*Class Activity:*

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sexual favors in return for job security, promotions, or raises 2) A hostile work environment in which an employee feels hassled or degraded because of unwelcome flirting, lewd comments, or obscene jokes.	*Ask students to provide recent examples of sexual harassment.*
v. The rules include sexually oriented materials in the workplace as well as the behavior of clients and customers of a firm.	
vi. The costs of lawsuit settlements or fines can be enormous.	
vii. An effective program should include a policy statement, complaint procedure, open work atmosphere, and ways to investigate issues and discipline offenders.	
viii. Sexism is a broad term applying to workplace discrimination against members of either sex, although usually women.	
ix. Equal pay for equal work is an important sexism issue.	
x. Statistics continue to show that women still only earn 77 cents for every 1 dollar earned by men, on average.	

Clean & Green Business: No GMOs in Cheerios

Summary

General Mills, the maker of Cheerios, recently stopped using genetically modified ingredients (GMOs) to make its famous cereal. Because Cheerios is one of the first foods given to toddlers, consumers placed pressure on General Mills to make Cheerios without GMOs. Among the fastest-growing U.S. food segments, retail sales of GMO-free cereal, salad dressing, eggs, and other food products increased 15% in a recent year.

The response to General Mills eliminating GMOs from Cheerios has been positive from both consumers and environmental groups. Cheerios is one of the first major packaged food brands to eliminate GMOs from its manufacturing process, and certainly General Mills leads the trend for more transparency when it comes to food labeling.

Questions for Critical Thinking:

1. **An organization called the Non-GMO Project charges a fee to certify that a company's product contains no genetically modified ingredients. It has recently been inundated**

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with requests for its non-GMO certification. Discuss or research the types of organizations that would be requesting such services.
Student answers will vary based on research.

2. **Some farmers recently started planting GMO-free crops that command a premium price from food companies, even though the yield for such crops is smaller than other crops. Do you think this trend in the farming industry will continue? Why or why not?**
As the health trend continues to grow, such products will continue to be demanded by customers. However, like any products or services, price will dictate that how much customers are willing to pay to continue to use these peoducts.

Business Model
Hasbro Wins "Best Corporate Citizen" Award
Summary
Toymaker Hasbro has worked diligently to improve its social and environmental performance and was recently named one of the best corporate citizens in the United States. The company, based in Pawtucket, Rhode Island, received high marks in several categories, including environment, human rights, and philanthropy and community support.

Hasbro's corporate social responsibility group is charged with advancing the company's social and environmental performance while remaining committed to achievements in several key areas, including product safety, environmental sustainability, and diversity. More than just creating words with its iconic Scrabble board game, Hasbro has taken action to build a safe and sustainable world for millions of children and their families.

Questions for Critical Thinking
1. What is your experience with packaging when purchasing toys, electronics, or other products? What additional solutions might you offer a toymaker like Hasbro?
Student answers will vary – some of the suggestions may be recycled packaging, minimizing or eliminating the use of Styrofoam and plastic as well as using packaging that can be recycled or reused.

2. How can Hasbro continue to advance its social and environmental performance agenda while maintaining profitability? What ideas would you present to company management?
Student answers will vary.

Business & Technology:
John Deere Uses Artificial Intelligence to Increase Yield and Kill Weeds

Summary
Based in Illinois, John Deere is a 180-year-old company best known for its iconic green tractors often spotted on large picturesque farms located far from urban sprawl. After spending $305 million to purchase Blue River Technology—a 60-person, Sunnyvale, CA– based company that uses machine learning and computer vision to spot weeds—the company set up John Deere Labs

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in Silicon Valley (California). Once Blue River's crop-spraying technology and intellectual property is further developed and commercialized in John Deere Labs, the company plans to offer it through its global dealer network—and to bring agriculture into the modern age. Crop-spraying equipment with machine learning "decides" which plants to keep and which to kill through imaging. In turn, farm management decisions are moved from field level to plant level through computer vision, robotics, and machine learning to help smart machines detect, identify, and make management decisions about individual plants in a farmer's field. Blue River's "See & Spray" technology identifies weeds that allow farmers to reduce reliance on chemicals such as herbicides by 95%.

Questions for Critical Thinking

1. Agriculture is being brought into the modern age, with more technology being developed to bring what some refer to as "the world's least digitized industry" into the modern age. Research and discuss additional technology being developed for the agriculture industry. What are the benefits and to whom?
The technology allows for better and more precise use of water. Companies are using sensors to detect moisture in the soil, which helps farmers create irrigation systems for crops based upon moisture and temperature. Customizing water applications to the soil helps farmers become more sustainable. Agtech could increase global crop yields up to 67%, which helps with increased demand for food due to population and income growth. The impact of climate change on agriculture will increase the pressure for more sustainable agricultural production to feed the planet. Other agtech trends: soil and water sensors, satellite imaging, weather tracking, pervasive automation (reduces operator workload), RFID technology, and vertical farming.

2. Blue River Technology disrupts a $28 billion herbicide industry with big agrochemical players such as Syngenta, Bayer, BASF, DowDuPont, and Monsanto. But it will also restore water so that it is clean and healthy. Can you think of any other residual effects of this technology?
Over-relying on a handful of broadcast-spray chemicals fuels the evolution of herbicide tolerance. Fighting these weeds hurts farmers' crops and their profitability. With the rise of herbicide-tolerant weeds, there are fewer and fewer effective solutions. Farmers around the world have a new way to address the weed control challenge. .

Assessment Check Answers:

4.1 What is meant by social responsibility, and why do companies exercise it?
Social responsibility is management's acceptance of its obligation to consider profit, consumer satisfaction, and societal well-being to be of significant value when evaluating the firm's performance. Businesses demonstrate social responsibility because such behavior is required by law, because it enhances the company's image, or because management believes it is the right thing to do.

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4.2 What is green marketing?
Green marketing is a marketing strategy that promotes environmentally safe products and production methods.

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

Learning Objective 5
Explain the ethical responsibilities of businesses to investors and the financial community.
Investors and the financial community demand that businesses behave ethically as well as legally in handling their financial transactions. Businesses must be honest in reporting their profits and financial performance to avoid misleading investors. The Securities and Exchange Commission is the federal agency responsible for investigating suspicions that publicly traded firms have engaged in unethical or illegal financial behavior.

RESPONSIBILITIES TO INVESTORS AND THE FINANCIAL COMMUNITY	**PowerPoint Slide 38**
Business has an obligation to make a profit for its shareholders.	
Investors expect legal and ethical behavior.	*Lecture Enhancer: What are the consequences for investors if a business does not act ethically or legally?*
State and federal agencies protect investors from financial misdeeds.	
a. The Securities and Exchange Commission (SEC) investigates suspicions of unethical or illegal behavior by publicly traded firms.	
i. The SEC investigates accusations of faulty accounting practices.	
ii. Regulation FD (Fair Disclosure) is an SEC rule that requires publicly traded companies to announce information to the general public first, rather than to seected investors.	
iii. The agency targets fraud in online trading through its Office of Internet Enforcement.	*Class Activity: Explore the Securities and Exchange website and examine the most recent*

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	fraud cases under "enforcement," then "litigation."
b. The Sarbanes-Oxley Act of 2002 also protects investors from unethical accounting practices.	

Assessment Check Answers

5.1 Why do companies need to do more than just earn a profit?
Although a fundamental goal of any business is to make a profit for its shareholders, investors and the financial community demand that businesses behave ethically and legally.

5.2 What is the role of the Securities and Exchange Commission?
Among other functions, the Securities and Exchange Commission investigates suspicions of unethical or illegal behavior by publicly traded firms.

Answers to Review Questions

1. What do the terms *business ethics* and *social responsibility* mean? Why are they important components of a company's overall philosophy toward conducting business?

Business ethics are the standards of conduct and moral values governing actions and decisions in the work environment (examples: a firm keeps promises, honestly reports its financial status, expects employees to report concerns over unethical behavior).

Social responsibility refers to the belief system of a company as well as its philosophies, policies, procedures, and actions that hope to enhance society's welfare (examples: a firm writes a code of conduct, considers the impact on the environment before making a decision, works with community groups or charitable causes).

They are important components of a firm's overall philosophy because businesses must find the delicate balance between doing what is right and doing what is profitable.

2. In what ways do individuals make a difference in a company's commitment to ethics? Describe the three stages in which an individual develops ethical standards.

Individuals can make a difference in a firm's commitment to ethics through their ethical expectations and behavior. As executives, managers, and employees demonstrate their personal ethical principles—or lack of ethical principles—the expectations and actions of those who work for and with them can change. Four factors are usually involved: life experiences; family, educational, cultural, and religious background; environment within the company; and personal style.

- *In the preconventional stage, people think of their own needs and desires and obey external rules due to fear of punishment or hope of reward.*

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- *In the conventional stage, they respond based on duty to others (family, coworkers, and organizations) and decide what is acceptable or unacceptable based on the influence of these groups, with self-interest still playing a role.*

- *In the postconventional stage, they think of the larger needs of society, relying on their own ethical principles to decide what is right and what action to take.*

3. What type of ethical dilemma does each of the following illustrate? (A situation might involve more than one dilemma.)

a. Due to a corporate merger, an advertising agency suddenly finds itself representing rival companies.
b. A newly hired employee learns that the office manager plays computer games on company time.
c. An employee is asked to destroy documents that implicate his or her company in widespread pollution.
d. A company spokesperson agrees to give a press conference that puts a positive spin on his or her company's lack of overseas factory monitoring and questionable treatment of labor.

a. Conflict of interest—deciding on a course of action when it may benefit one person or group and harm another, or when it may benefit a personal situation

b. Honesty and integrity—deciding whether to act on deeply felt ethical principles, beyond just telling the truth

c. Conflict of interest—deciding on a course of action when it may benefit one person or group and harm another, or when it may benefit a personal situation

d. Whistle-blowing—deciding whether to disclose to authorities an organization's unethical or illegal actions
Loyalty versus truth—deciding whether to go to authorities with information or to protect a company when the truth about a firm is unfavorable

e. Honesty and integrity—deciding whether to act on deeply felt ethical principles, beyond just telling the truth
Loyalty versus truth—deciding whether to go to authorities with information or to protect a company when the truth about a firm is unfavorable

4. Describe how ethical leadership contributes to the development of each of the other levels of ethical standards in a corporation.

Ethical leadership dictates that managers not only talk about ethical behavior but also show it in their actions, including admitting their mistakes and trying to correct them. Ethical leadership charges each employee at every level with the responsibility to be an ethical leader. Everyone should be aware of problems and be willing to defend the organization's standards. This requires the other levels of ethical standards. Ethical awareness allows employees to get help in identifying ethical problems when they occur and in understanding the firm's response. Ethical

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reasoning shows workers how to weigh options and make suitable decisions when complicated issues come up. Ethical action provides structures and approaches that show workers how to turn decisions into actions.

5. In what ways do companies demonstrate their social responsibility?

They demonstrate social responsibility by contributing to the overall economy, providing for equal employment opportunity, respecting cultural diversity, developing the quality of the workforce, dealing with public health issues, responding to environmental concerns, providing a safe workplace, and supporting charitable or social not-for-profit organizations.

6. What are the four major areas in which businesses have responsibilities the general public? In what ways can meeting these responsibilities give a company a competitive edge?

- *Public Health Issues: What to do about inherently dangerous products such as alcohol, tobacco, vaccines, and steroids. Heart disease, diabetes, opioid addiction, and obesity have become major public health issues.*

- *Protecting the Environment: Using resources efficiently, minimizing pollution. Recycling—Reprocessing used materials for reuse.*

- *Developing the Quality of the Workforce: Enhancing quality of the overall workforce through education and diversity initiatives.*

- *Corporate Philanthropy: Cash contributions, donations of equipment and products, and supporting the volunteer efforts of company employees.*

The firm will have a competitive edge due to increased employee morale, better team-building skills, enhanced company image, stronger customer relations, and an improved standing in the community.

7. Identify and describe the four basic rights that consumerism tries to protect. How has consumerism improved the contemporary business environment? What challenges has it created for businesses?

Consumerism protects the right to be safe, to be informed, to choose, and to be heard. It has increased product safety, provided information to consumers, increased competition, offered a wider variety of choices, promoted truth in advertising, and monitored unethical activities and fraud.

Challenges include assuring product safety because contamination leaks in, causing illness or even death. Also, all communications with customers—from salespeople's comments to warranties and invoices—must be controlled to clearly and accurately inform customers. Businesses that fail to comply with truth in advertising face scrutiny from the FTC and consumer protection organizations.

8. What are the five major areas in which companies have responsibilities to their employees? What types of changes in society are now affecting these responsibilities?

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Promoting workplace safety, addressing quality-of-life issues, ensuring equal opportunity in hiring and on the job, and providing a work environment with no tolerance for age discrimination, sexual harassment, or sexism. Today, employees have to balance time spent at work with time spent on personal and family issues such as caring for young children and elderly parents.

9. Identify which equal opportunity law (or laws) protects workers in the following categories:

a. an employee who must care for an elderly parent
– *The Family and Medical Leave Act of 1993*

b. a National Guard member who is returning from deployment overseas
– *The Uniformed Services Employment and Reemployment Rights Act of 1994*

c. a job applicant who is HIV positive
– *The Vocational Rehabilitation Act of 1973*

d. a person who is over 40 years old
– *The Age Discrimination in Employment Act of 1967*

e. A woman who has been sexually harassed on the job
– *The Civil Rights Act of 1991*

f. A woman who has a family history of breast cancer
– *The Americans with Disabilities Act of 1990*

10. How does a company demonstrate its responsibility to investors and the financial community?

One way a company can demonstrate its responsibility to investors and the financial community is to produce sound profits. But shareholders, investors, and financial partners also demand that a business act legally and ethically, treat its employees fairly, report its earnings and losses accurately, and consider the greater good when making decisions. Failure to do so can result in substantial losses to investors as well as to consumers and the public at large.

Projects and Teamwork Applications

1. Write your own personal code of ethics. Create standards for your behavior at school, in personal relationships, and on the job. Then assess how well you meet your own standards and revise them if necessary.

2. On your own or with a classmate, visit the Web site of one of the following companies, or choose another that interests you. On the basis of what you can learn about the company from the site, construct a chart or figure that illustrates examples of the firm's ethical awareness, ethical education, ethical actions, and ethical leadership. Present your findings to

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the class.
a. Instagram
b. NFL, NHL, NBA, MLB, MLS (or any other major professional sports league)
c. Gilead Sciences
d. L'Oreal
e. Activision
f. Costco
g. IKEA

3. Take the company you studied for question 2 (or choose another), and search for information about the company's social and environmental responsibility practices – some companies publish annual corporate social responsibility and sustainability. Present to the class the company's successes and challenges for the most recent year.

4. Warren Buffett is a world-famous investor and CEO of conglomerate Berkshire Hathaway, which includes companies as diverse as Kraft Heinz, Geico Auto Insurance, and Benjamin Moore Paints. Buffett plans to give away 99% of his wealth and has already donated over $2 billion to the Bill and Melinda Gates Foundation. List and discuss three other well-known corporate philanthropists, their goals, and their causes.

5. As technology becomes more pervasive, new and complex ethical issues have arisen in the workplace, which have contributed to ethical and sometimes legal challenges for employers and employees. Consider the action of transmitting confidential or proprietary company data, for example. With a classmate or alone, come up with a list of ways technology has affected or compromised ethics at work, school, or home.

Web Assignments

Note: Internet Web addresses change frequently. If you do not find the exact sites listed, you may need to access the organization's home page and search from there or use a search engine.

1. **Ethical standards.** Go to the Boeing website and review its supplier page listed below. With more than 2,300 different suppliers listed, review and list the criteria and expectations Boeing uses when choosing suppliers.

   www.boeingsuppliers.com

2. **Volunteers.** People volunteer for a variety of reasons. Visit the following website and choose a few of the organizations that interest you. List some of the reasons you might volunteer with each of the selected organizations.

   www.volunteermatch.org

3. **Whistle-blowers.** Go to the National Whistleblowers Center website to outline and discuss the rights of whistle-blowers (FAQ page under "Resources" tab). Either in small groups or individually, prepare a report profiling some of the individuals featured in

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"Meet the Whistleblowers." Is there a common theme with some of the claims, and in your opinion, are they justified? Why or why not?

www.whistleblowers.org

Case 2.1

Whole Foods Shares Salary Data with Employees
Summary

While most companies keep salary information confidential, the Austin, Texas–based grocery chain has an open-salary policy whereby employees are actually encouraged to look up salaries and bonuses of co-workers as well as the CEO's compensation. For this grocer well known for its high-end organic elections, the benefits of an open-salary policy far outweigh keeping salaries a secret. Whole Foods Co-CEO John Mackey is a firm believer in an open-salary policy as part of the company's "we're all in this together" culture of full transparency and no secrets.

Answers to Questions for Critical Thinking

1. **Mackey believes that if employees have a clear understanding of the path required to be as successful as the "next person," that they will be inspired in part to become that "next person." Do you agree? Why or why not?**

   Confidential information causes more rumors and projecting worse case scenarios. Open info allows employees to plan, execute, and achieve goal-based results.

2. **What are some disadvantages of a company sharing salary and profitability data with all of its employees?**

   Employee expectations with higher profits and equity theory are two key issues along with significant management time and resources are possible disadvantages.

Case 2.2

Tech Philanthropists Lead the Way
Summary

In an eff ort to solve some of the world's most pressing problems, Mark Zuckerberg and his wife Dr. Priscilla Chan recently created a philanthropic organization to pledge 99% of their shares in Facebook. The announcement came in the form of a letter to their newborn daughter, Maxima Chan Zuckerberg. Based on the recent price per share of Facebook stock, the pledge, called the

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Chan Zuckerberg Initiative, is valued at over $45 billion. One of the largest in philanthropic history, the pledge, to be distributed over Zuckerberg's lifetime, could increase in value if Facebook shares continue to climb.

Answers to Questions for Critical Thinking

1. Others like Bill Gates (Microsoft) and Warren Buffett (Berkshire Hathaway) have pledged to give away their fortunes. Some call this the spirit of the times. Do you agree? Why or why not??
Student answers will vary, however, they should understand that greater percentage of wealthy in the US are moving in this direction. Gates and Buffett have also been making strides in bringing other billionaires toward pledging their wealth to philanthropy.

2. Is it reasonable to assume that the ability to solve societal problems corresponds with one's wealth? As billionaires tackle some of society's toughest problems, what are some of the downsides?
Student answers will vary. One of the downside is people may see world's problems as something that wealthy needs to solve. It may also create ill-will toward those who are not committing their wealth.

Case 2.3

Being Socially Responsible Helps Timberland Thrive
Summary
The Timberland Company, based in New Hampshire, derives its name from the iconic yellow work boot introduced more than four decades ago. As importantly, Timberland has also found its place as a model for best practices in corporate social responsibility (CSR). The company's passion for the outdoors, along with its responsibility to stakeholders, plays a major part in Timberland's overall business culture. At its core, the company is committed to a culture of protecting the very essence of what keeps it in business—the outdoors and the environment. Each of Timberland's strategies demonstrates a synergy between commerce and social responsibility. Timberland focuses its CSR efforts on the three areas of product, community engagement, and resource efficiency.

Questions for Critical Thinking

1. Compare and contrast the CSR efforts of three of Timberland's competitors. How do they compare to and/or differ from Timberland's efforts?

Wolverine Worldwide (Keds, Merrell, Stride Rite, Sperry, and Saucony)	***L.L. Bean, Inc.***	***Columbia Sportswear Company***
- ***Charitable support:*** *Wolverine Worldwide Foundation supports more than 190 charitable organizations that impact*	***Environment:*** *Because L.L. Bean is a direct marketer (cataloger), their focus is on*	***-Giving Back:*** *Columbia supports outdoor education and*

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communities around the world, like 1% For The Planet, Two Ten Footwear Foundation, and The Conservation Alliance. *- **Purchased renewable energy** to power its Michigan-based* *- Re-engineered the majority of its footwear packaging by abandoning traditional methods and materials in favor of 85% post-consumer recycled cardboard for boxes and soy-based inks.* *- Expanded company recycling and composting programs.*	*paper and sustainable forest management.* ***Sourcing and labor rights**: L.L. Bean is committed to selling products that are manufactured under legal, safe and fair working conditions.* *Charitable giving: Ties in with the company's outdoor heritage with a focus on focus giving on national and local outdoor conservation and recreation organizations. To this end, L.L.Bean has given more than $14 million to local, state, regional and national conservation organizations in the last ten years.*	*conservation to support issues at a local level.* *The company's initiatives demonstrate support to **outdoor education and conservation.***

2. Discuss Timberland's philosophy that CSR does not have to be an add-on but instead can work as a competitive advantage. Provide three examples of how Timberland's commitment to corporate social responsibility has created a competitive advantage for the company.

Frisk believes that business and consumers must together take steps to create a more sustainable world. The company's commitment to corporate social responsibility has created a competitive advantage in the following ways:

a. As a boot maker and producer of greenhouse gases, the company is well aware of their contribution to the problem. However, they are also part of the solution with efforts to reduce their carbon footprint by using renewable energy and encouraging partners to do the same. This gives the company a fairly strong competitive advantage.

b. Materials used: Timberland wants to make and sell products that give consumers environmentally friendly options. They do that with their best-selling Earthkeeper ® boot line, made with eco-conscious materials.

c. The company has logged over 1 million volunteer hours among its employees. Timberland has one of the most extensive volunteer programs in the industry.

3. The Timberland Responsibility website is a wealth of information about the company's approach to responsibility, including climate, product, factories, and service. Evaluate Timberland's most recent CSR report, and expand on some of the company's most recent initiatives. Discuss the company's progress against its targets set around its core areas of corporate social responsibility.

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Timberland's focus on social responsibility includes: climate change, product, factories, and service. Its most recent CSR report includes the following highlights:

- *In its most recent year, the company had a 23% reduction in Greenhouse Gas (GHG) emissions compared to the previous year.*
- *Use of renewable energy increased by 20 percent over the previous year.*
- *Timberland measures environmental performance according to the Global Social Compliance Program (GSCP) environmental module, and in a recent year, almost 44 percent of the company's Continued Business Partner Tier 1 factories achieved Level 2 or 3 for energy management, an increase of 36 percent over the previous year.*
- *In a recent year, Timberland shipped 20,893,068 pairs of footwear, and 73 percent was scored with the Green Index environmental rating.*
- *In a recent year, employees volunteered 65,388 hours. Below is a listing of the issues in which Timberland is focused:*
    - *Climate Change Strategy*
    - *Fuel Sourcing*
    - *Leather Position Statement*
    - *Use of Organic Cotton*
    - *Cotton from Uzbekistan*
    - *Wool Mulesing*
    - *Use of fur*
    - *Deforestation in the Amazon Rainforest*
    - *California Transparency in Supply Chain Act*
    - *Factories*
    - *Recycling/End of Life*
    - *Globalization*
    - *Political Engagement*
    - *SOPA Statement*
    - *Sandblasting*

4. Download Timberland's Service Toolkit handout about how to develop and manage powerful community service events. Go to http://responsibility.timberland.com, click on "Service," and download the "Service Tool Kit." Discuss how you would define project parameters (1.0), research community needs and assets (2.0), and select service partners (3).

Define project parameters	***Research community needs and assets***	***Select service partners***
Identify vision, goals and scope of project	*Internet research*	*Conduct site visit*
Establish a budget and prepare a plan	*Community Outreach*	*Assess partner*

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Recruit the operations team	*Recognize community assets*	*Review agreement and clarify expectations*

Collaborative Learning Exercises

1 – Ethics and Legality

Learning Objective: 2

Purpose:

To clarify the difference between ethical and legal behavior.

Background:

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

Relationship to Text:

The New Ethical Environment – Learning Objective 2

Estimated Class Time:

Approximately 10 minutes

Preparation/Materials:

None needed

Exercise:

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

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

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

2 – Corporate Social Responsibility

Learning Objective: 4 Social Responsibility

Purpose:

To stimulate discussion about the disparate views of corporate social responsibility.

Background:

Since businesses create environmental problems like pollution, proponents of corporate social responsibility advocate that companies are not separate from society. As such, using their resources, they should be obligated to solve the issues and problems which result from their operation. Helping society benefits a company's public image.

The argument against corporate social responsibility is that the sole purpose of business is to earn a profit. Focusing on anything mission other than earning a profit is a distraction, and does not serve shareholders in a fair and just way. In addition, creating jobs and expanding economic growth is the real justification of a business. Proponents against CSR argue that government funding and subsidies for social programs are just that – and it's not the responsibility of business to remedy social ills.

Relationship to Text:

Describe how businesses can act responsibly to satisfy society – Learning Objective 4

Estimated Class Time:

5–10 minutes

Preparation/Materials:

Consider making a copy of the two views of corporate social responsibility, or write them on the board or put online.

Exercise:

Form two groups – one will advocate for corporate social responsibility, and the other will advocate against. What are compelling arguments for social responsibility, and what are compelling arguments against? In a debate-like fashion, using recent news reports, state arguments for and against, and include examples to defend each group's stance.

3 – Respect

Learning Objective: 3

Purpose:

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

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Background:

This quick, discussion-based exercise is designed to encourage students to consider the long-term implications of tough ethical decisions. Caution: This works great for some classes but is completely irrelevant or too abstract for others, so you may want to consider the chemistry of your class before you use it.

Relationship to Text:

Individuals Make a Difference – Learning Objective 3

Estimated Class Time:

Less than 5 minutes

Preparation/Materials:

None needed

Exercise:

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

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

4 – Internet Usage

Learning Objective: 3

Purpose:

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

Background:

Surfing the Web for personal use is a costly problem for many employers, and it is likely to grow as digital natives begin their careers. This exercise is designed to approach the issue from a business owner perspective, which also may encourage students to reevaluate their own behavior from an employee perspective.

Relationship to Text:

Honesty and Integrity – Learning Objective 3

Estimated Class Time:

Approximately 10 minutes

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Preparation/Materials:

None needed

Exercise:

- The top five time-wasting sites include Facebook, Google, Yahoo, Amazon, and LinkedIn, according to a recent survey by salary.com. Websites most commonly visited at work include news sites, social media sites, online shopping, entertainment/lifestyle, travel, and sports. Out of 1,000 people surveyed, 69 professed to wasting time online during work hours on a daily basis. However, some argue that web browsing can actually enhance productivity by making tired workers feel more refreshed. (Source: Rashida Maples, Esq., "Surf While You Work: Is Personal Internet Use Interrupting Productivity On The Job?" *Hello Beautiful,* November 21, 2013, http://hellobeautiful.com, accessed July 15, 2018).

- Divide your class into groups of three to five students. Ask each group to assume that they are business owners and they are meeting to establish a policy to control nonwork-related Internet usage in light of software to monitor employee computer usage. Remind your students that their options range from no monitoring to complete blocking. Reconvene as a class to discuss. Questions might include:

  - What are the pros and cons of no monitoring? Of blocking measures?
  - What are the trade-offs between collegiality and productivity?
  - Are there any times when it makes sense to allow (or even encourage) employees to surf the Web for personal reasons?
  - Did the discussion change any minds on how they would handle this issue at their own companies?

5 – Corporate Philanthropy

Learning Objective: 4

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Purpose:

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

Background:

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

Relationship to Text:

Corporate Philanthropy – Learning Objective 4

Estimated Class Time:

Approximately 15 minutes

Preparation/Materials:

None needed

Exercise:

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

- A major city newspaper (e.g., supporting a literacy program)
- An advertising agency (e.g., donating work to showcase creativity)
- An ophthalmologist office (e.g., collecting used glasses for less developed countries)
- A supermarket (e.g., donating 3 percent of each single sale above $200 to a food bank)

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

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