



GRIFFIN

MANAGEMENT

7th EDITION

CHAPTER

4

**The Ethical
and Social
Environment**



PowerPoint Presentation
by Charlie Cook

Copyright © by Houghton Mifflin Company.
All rights reserved.

Learning Objectives

After studying this chapter, you should be able to:

- **Discuss managerial ethics, three areas of special ethical concerns for managers, and how organizations change.**
- **Discuss the concept of social responsibility and specify to whom or what an organization might be responsible.**
- **Explain the relationship between the government and organizations regarding social responsibility.**

Chapter Outline

- Individual Ethics in Organizations
 - Managerial Ethics
 - Ethics in an Organizational Context
 - Managing Ethical Behavior
- Social Responsibility and Organizations
 - Areas of Social Responsibility
 - Arguments For and Against Social Responsibility
 - Organizational Approaches to Social Responsibility
- The Government and Social Responsibility
 - How Government Influences Organizations
 - How Organizations influence Government
- Managing Social Responsibility
 - Formal Organizational Dimensions
 - Informal Organizational Dimensions
 - Evaluating Social Responsibility

Individual Ethics In Organizations

- **Ethics**

- **An individual's personal beliefs regarding what is right and wrong or good and bad.**

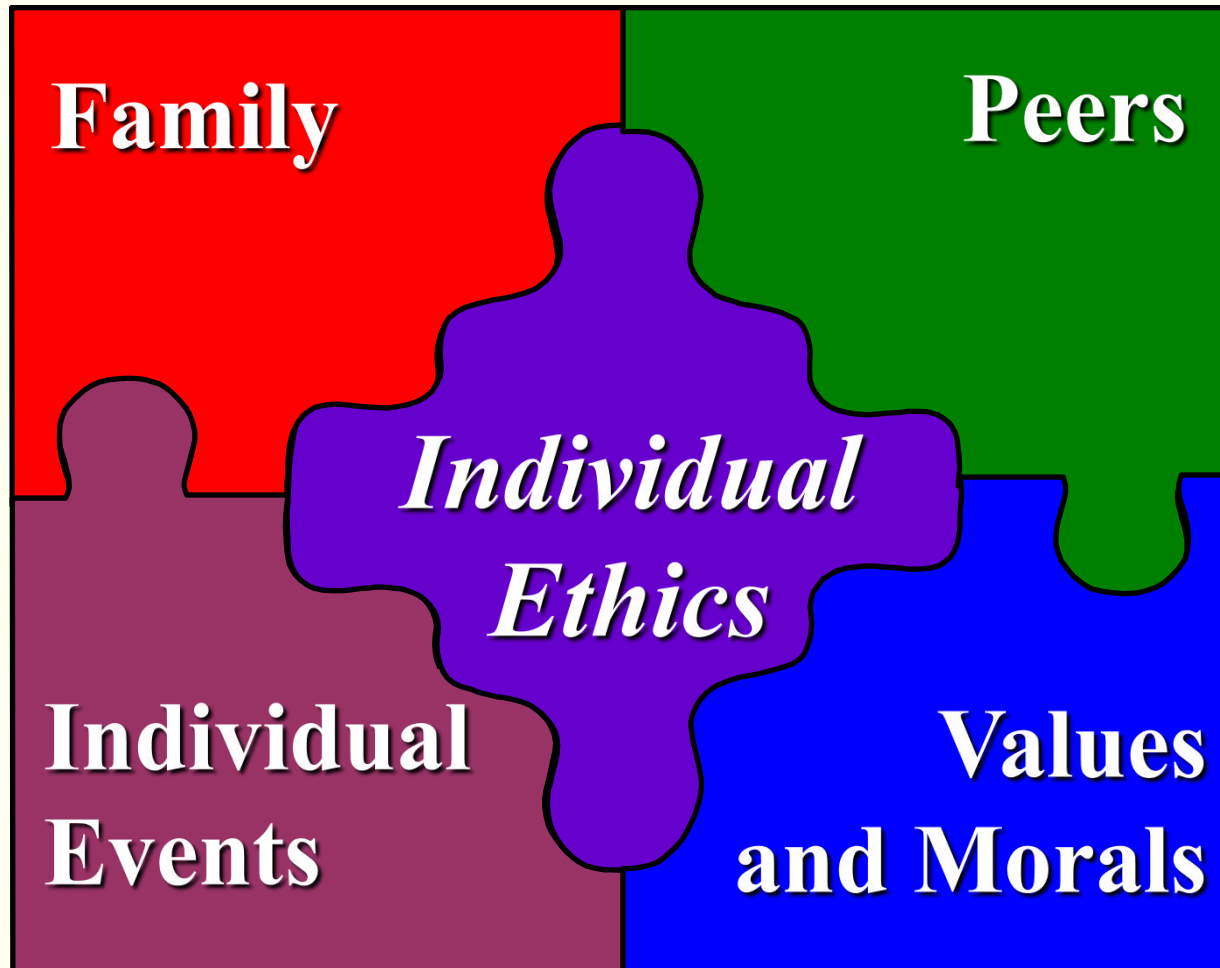
- **Ethical Behavior**

- **This behavior is in the eye of the beholder. However, it also refers to behavior that conforms to generally accepted social norms.**
- **Problems occur in ambiguous situations that can be interpreted in different ways.**

- **Examples of Unethical Behavior**

- **“Borrowing” office supplies for personal use, “Surfing the Net” on company time.**
- **Filing falsified or inflated business expense reports.**

Determinants of Individual Ethics



Managerial Ethics

Three basic areas of concern for managerial ethics are the relationships of the firm to the employee, the employee to the firm, and the firm to other economic agents.



Figure 4.1

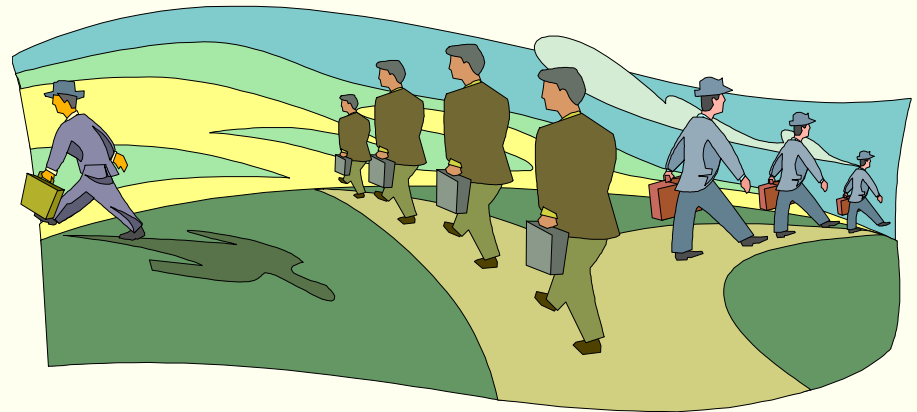
Ethics in Organizations

Individual Values
+
Organizational Values
=
Managerial Values

Ethics in Organizations (cont'd)

- **Managing Ethical Behavior**

- **Must begin with top management which establishes the organization's culture and defines what will and will not be acceptable behavior.**
- **Training how to handle different ethical dilemmas.**
- **Develop a written code of ethics**
 - A formal, written statement of the values and ethical standards that guides a firm's actions.
- **Individual issues**
 - Behavior and conscience
 - Privacy



Applying Ethical Judgments

- Model for deciding whether or not a particular action or decision is ethical
 - Gather relevant factual information.
 - Determine the most appropriate moral values.
 - Make a judgment based on the rightness or wrongness of the proposed activity or policy.
- Ethical Norms Affecting Actions
 - *Utility*—act optimizes what is best for its constituencies (benefits only or primarily those who are directly involved)
 - *Rights*—act respects the rights of others involved
 - *Justice*—act is consistent with what is considered fair
 - *Caring*—act is consistent with people’s responsibilities to each other

Social Responsibility and Organizations

- **Social Responsibility**

- **The set of obligations (to behave responsibly) that an organization has to protect and enhance the social context in which it functions.**

- **Areas of Social Responsibility**

- **Stakeholders**

- Customers, employees, and investors

- **The natural environment**

- Environmentally sensitive products, recycling, public safety

- **The general social welfare**

- Charitable contributions, support for social issues such as child labor and human rights

Areas of Social Responsibility

- **Organizational Stakeholders**

- **People and organizations who are directly affected by the behaviors of an organization and that have a stake in its performance.**



Figure 4.3

Arguments For and Against Social Responsibility

Arguments For Social Responsibility

1. Business creates problems and should therefore help solve them.

2. Corporations are citizens in our society.

3. Business often has the resources necessary to solve problems.

4. Business is a partner in our society, along with the government and the general population.

**Social
Responsibility**

Arguments Against Social Responsibility

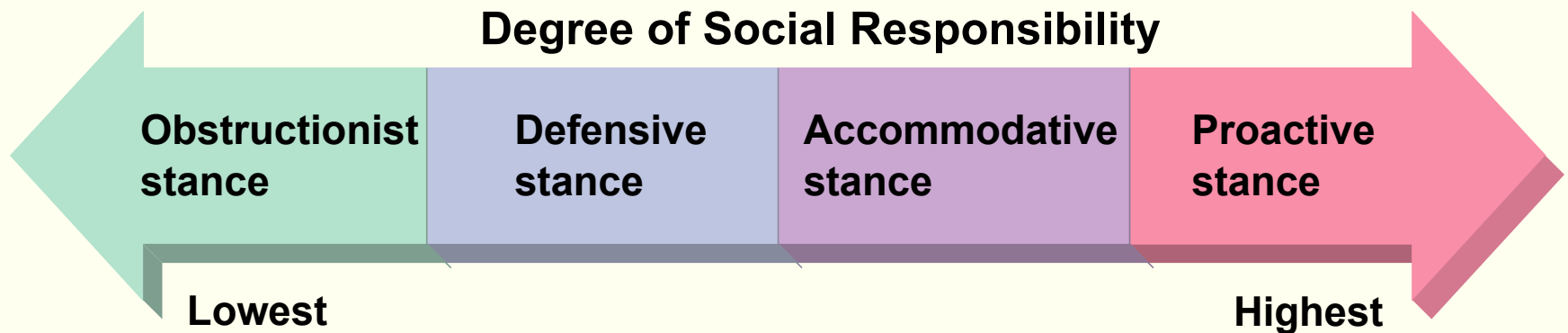
1. Business lacks the expertise to manage social programs.

2. Involvement in social programs gives business too much power.

3. There is potential for conflicts of interest.

4. The purpose of business in U.S. society is to generate profit for owners.

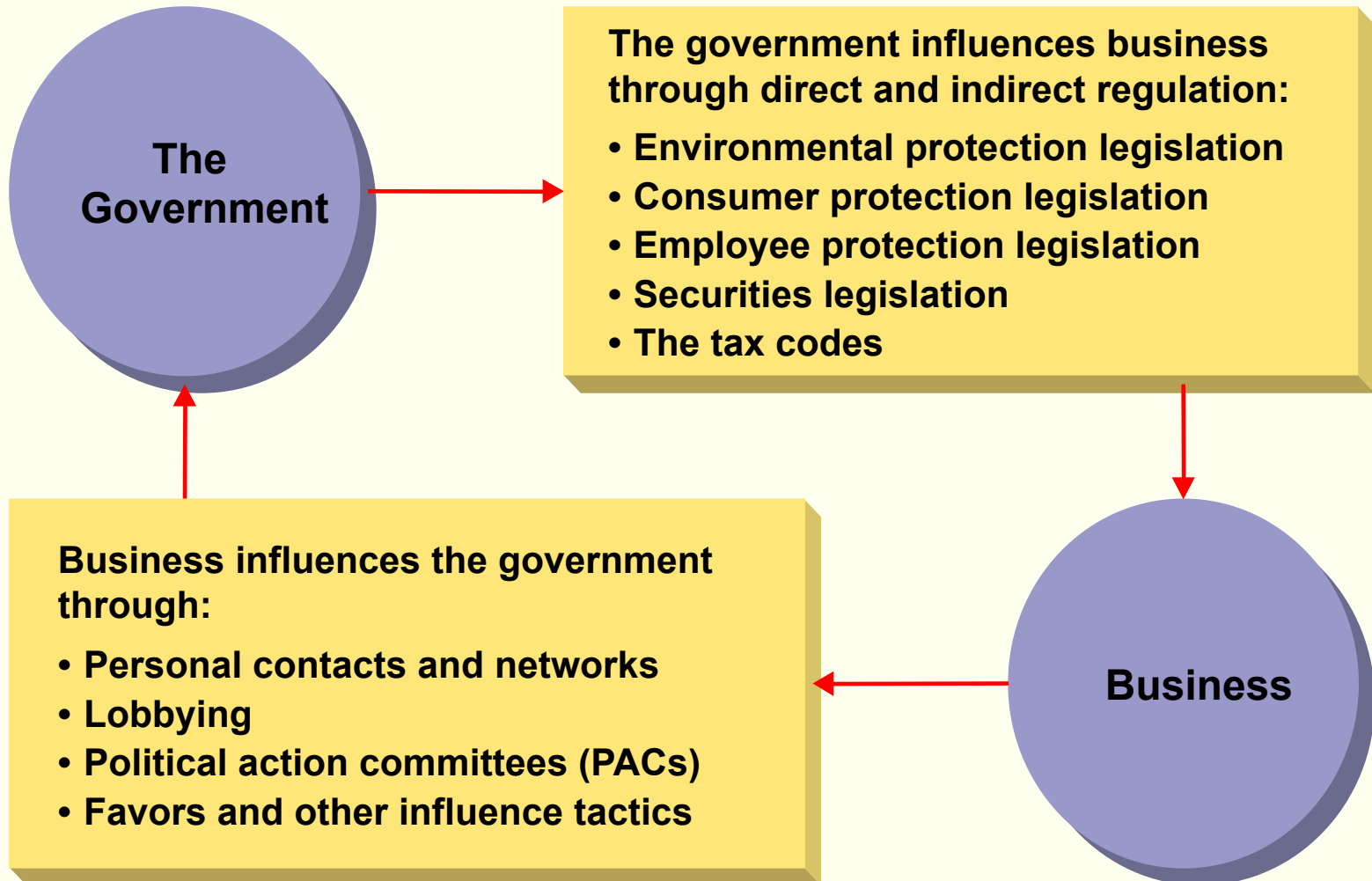
Approaches to Social Responsibility



Approaches to Social Responsibility (cont'd)

- **Obstructionist Stance**
 - **Do as little as possible to solve social or environmental problems.**
- **Defensive Stance**
 - **Do only what is legally required and nothing more.**
- **Accommodative Stance**
 - **Meet legal and ethical obligations and go beyond that in selected cases.**
- **Proactive Stance**
 - **Organization views itself as a citizen and proactively seeks opportunities to contribute to society.**

How Business and the Government Influence Each Other



Managing Social Responsibility: Formal Organizational Dimensions

- **Legal Compliance**
 - **Extent to which the organization conforms to local, state, federal, and international laws.**
- **Ethical Compliance**
 - **Extent to which members of the organization follow basic ethical/legal standards of behavior.**
- **Philanthropic Giving**
 - **Awarding of funds or gifts to charities and other social programs.**

Managing Social Responsibility: Informal Organizational Dimensions

- **Organizational Leadership and Culture**
 - **Leadership practices and the culture of the organization can help define the social responsibility stance an organization and its members will adopt.**
- **Whistle Blowing**
 - **The organizational response to the disclosure by an employee of illegal or unethical conduct on the part of others within the organization is indicative of the organization's stance on social responsibility.**

Evaluating Social Responsibility

- **Concept of Control**

- **Evaluating responses to questionable legal or ethical conduct**

- Initiate an immediate follow-up response to events?
 - Seek punishment for those involved?
 - Engage in delay or cover-up tactics?

- **Corporate Social Audit**

- **A formal and thorough analysis of the effectiveness of the firm's social performance conducted by a task force of high-level managers from within the firm.**
 - **Requires the organization to clearly define its social goals, analyzes resources committed to the goals, determines how well goals are being met, and makes recommendations for areas needing additional attention.**