

Ethics and Social Responsibility



Take the Poll!



<https://tinyurl.com/ch4MGT305>

Learning Objectives

In this lesson, we will cover:

Stakeholders

Corporate Social Responsibility

Ethics

- *Stakeholders*
- *What Ethics is not*
- *Perspectives (Views) on Ethics*



Links within this Lesson

- Milgram Experiment (set to start 38 seconds in; end at 9 minutes)
<https://youtu.be/Xxq4QtK3j0Y?t=38s>
- Asch Experiment:
<https://youtu.be/NyDDyT1lDhA>
- Budweiser Commercial:
<https://youtu.be/6EmIDqGOX44>
- Texas Bathroom Bill:
http://www.nbcdfw.com/news/local/Bathroom-Bill-6p-010517_Dallas-Fort-Worth-409837835.html

Where we've been and where we're going

1.	August 24 th	Introduction and History of Management Read, Initial, and Submit the Honesty Policy	9.	October 19 th	Ethics and Corporate Social Responsibility
2.	August 31 st	Organizational Diversity and Culture	10.	October 26 th	Organizational Behavior and Individual Differences
3.	September 7 th	International Management	11.	November 2 nd	Motivation in the Workplace
4.	September 14 th	Exam 1 (Module 1) (MC & Essay)	12.	November 9 th	Exam 3 (Module 3) (MC & Essay)
5.	September 21 st	Problem Solving and Decision Making	13.	November 16 th	Human Resources
6.	September 28 th	Strategic Management	14.	November 23 rd	Leadership Theories and Trends
7.	October 5 th	Organizational Structure and Design	15.	December 2 nd	Managing Communication
8.	October 12 th	Exam 2 (Module 2) (MC & Essay)	16.	December 9 th	Exam 4 (Module 4) (MC & Essay)

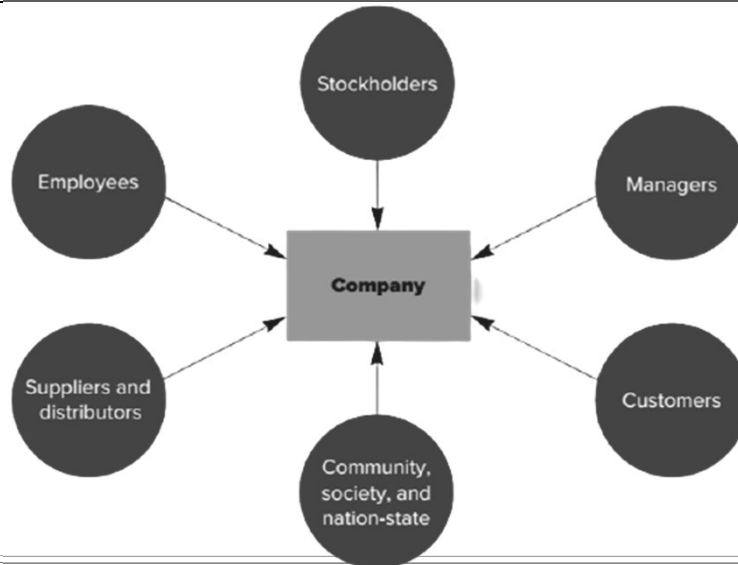
Strategy

People

Stakeholders and Ethics

- *The people and groups that supply a company with its productive resources and so have a claim on and stake in the company*
- *Can be split into two general groups*
 - _____ : *employees, managers, owners*
 - _____ : *indi*

Types of Company Stakeholders



Types of Company Stakeholders

Stockholders(public)/Owners(private)

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

Managers

- Responsible for using a company's financial capital and human resources to increase its performance
- Have the right to expect a good return or reward by investing their human capital to improve a company's performance
- Frequently juggle multiple interests

Types of Company Stakeholders

Employees

- Expect to receive rewards consistent with their performance
- Companies can act ethically toward employees by creating an occupational structure that fairly and equitably rewards employees for their contributions

Suppliers and Distributors

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

Types of Company Stakeholders

Customers

- Some consider them the most critical stakeholder (*debatable*)
- Company must work to increase efficiency and effectiveness in order to create loyal customers and attract new ones

Community, Society, and Nation

- Community
 - *Physical locations like towns or cities in which companies are located*
 - *Provides a company with the physical and social infrastructure that allows it to operate*
- A company contributes to the economy of the town or region through salaries, wages, and taxes

Stakeholders, CSR, Ethics

When managers face issues of

- *Corporate Social Responsibility*
- *Ethics*

Stakeholders are impacted!!!

What Is Social Responsibility?

- refers to the expectation that business firms should serve both society and the financial interests of the shareholders.
- Ethics is about the individual; social responsibility is about the firm.



Corporate Social Responsibility (CSR)



Corporate Social Responsibility (CSR)

The _____ View

- *Management's only social responsibility is to maximize profits (create a financial return) by operating the business in the best interests of the stockholders (owners of the corporation).*
- *Spending the firm's resources on doing "social good" unjustifiably increases costs that lower profits to the owners and raises prices to consumers.*

Classical View
Shareholder Theory
Stockholder Theory

Classical View of the Firm:

- *The Primary goal of business is profit maximization, not spending shareholder money for the general social interest*
- *Firms should be active socially only when doing so enhances profits.*
- *Managers don't know what's in the best interest of society and they shouldn't spend shareholder resources on such endeavors.*
- *Firms don't need to "give back" because they already serve society by providing needed products, jobs, and tax revenues.*



Classical View
Shareholder Theory
Stockholder Theory

Milton Friedman (economist) stated:

- *There is one and only one social responsibility of business — to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.*



The only corporate social responsibility a company has is to maximize its profits.

— Milton Friedman —

CSR CONs

Modern Examples of the Classical View

Coinbase is a mission focused company



Brian Armstrong [Follow](#)
Sep 27 · 9 min read ★



There have been a lot of difficult events in the world this year: a global pandemic, shelter in place, social unrest, widespread protests and riots, and west coast wildfires. On top of that we have a contentious U.S. election on the horizon.

Everyone is asking the question about how companies should engage in broader societal issues during these difficult times, while keeping their teams united and focused on the mission. Coinbase has had its own challenges here, including employee walkouts. I decided to share publicly how I'm addressing this in case it helps others navigate a path through these challenging times.

In short, I want Coinbase to be laser focused on achieving its mission, because I believe that this is the way that we can have the biggest impact on the world. We will do this by playing as a championship team, focus on building and being transparent about what our mission is and isn't.



Ryan Selkis @twobitidiot · Sep 27

Replying to @brian_armstrong

Well said. It's hard enough building an enterprise that helps reinvent finance without feeling the need to build a pitch perfect political platform.

11 399



Dan Romero @dwr · Sep 28

Replying to @brian_armstrong

👋, Brian.

As a former Coinbase exec—and a second-generation Hispanic-American—it's inspiring to see you resolutely pursuing Coinbase's mission of creating a more open financial system for the entire world. Many forget how good we have it in the US compared to other countries.

25 515



Reuben Bramanathan @bramanathan · Sep 28

Replying to @brian_armstrong

Brian, I was disappointed to read this

Even with a narrow scope of the mission, why can't Coinbase acknowledge the injustice and inequality that affects many current and future Coinbase users?

Coinbase can't solve all these problems, but also shouldn't ignore that they exist

SocioEconomic View of the Firm

The _____ View

- *Management's social responsibility goes beyond making profits to include protecting and improving society's welfare.*
- *Corporations are not independent entities responsible only to stockholders.*
- *Firms have a moral responsibility to larger society to become involved in social, legal, and political issues.*



The purpose of the corporation must be redefined as creating shared value, not just profit per se. This will drive the next wave of innovation and productivity growth in the global economy.

— Michael Porter —

AZ QUOTES

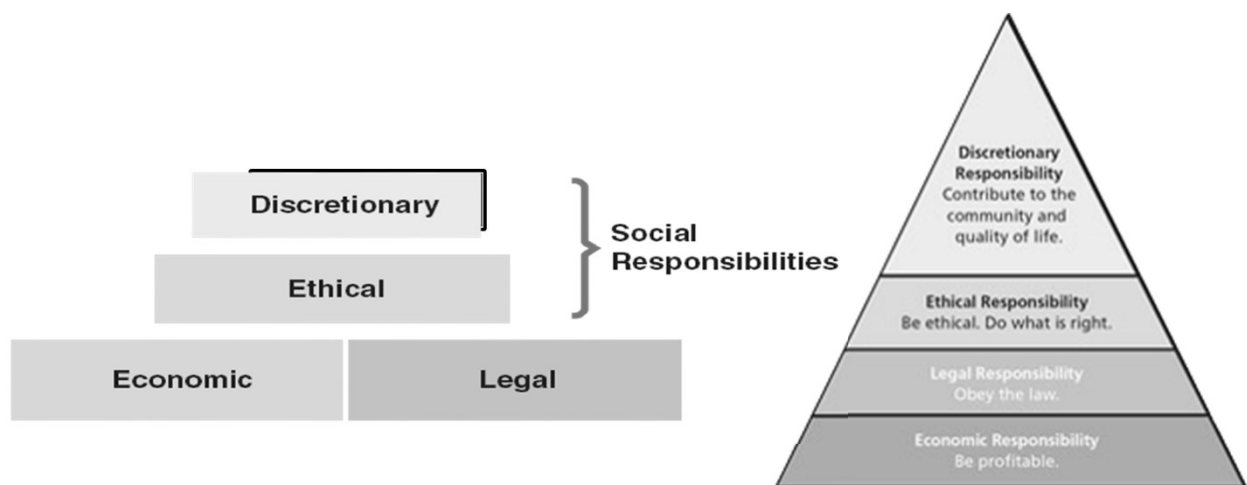
Corporate Social Responsibility (CSR)

The **triple bottom line** is the notion that firms must maintain and improve social and environmental performance in addition to economic performance.



Carroll's four Responsibilities of a Business Firm

- Firms have a responsibility to “give back” to the community

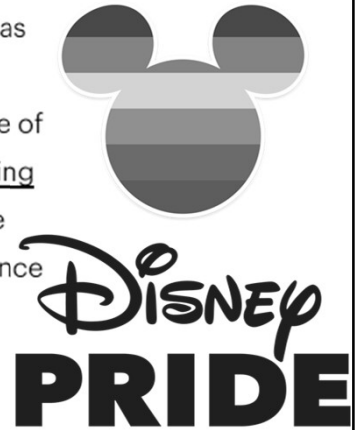


Modern Examples of the Socioeconomic View

☐ Health Benefits for Same Sex Partners

While Disney has never stated outright that it supports gay marriage, it has provided health benefits to its employees' same sex partners since 1995.

This has sparked a lot of controversy in its more conservative home state of Florida, including a statement from the Florida Family Association accusing Disney of showing "an outright disrespect and arrogance in their attitude toward the American family." Disney, however, has not budged on its stance for providing these benefits.



Modern Examples of the Socioeconomic View



'Black Lives Matter, people': How the NBA's social justice efforts dominated the season

"I think we have all been inspired that, not only that we see something that's absolutely wrong and you don't want to just talk about it, you want to actually be a part of the change," Spoelstra said. "We don't want any one of us to forget about everything that's still happening out there and because of the color of someone's skin."

Also, the "Black Lives Matter" logo explains why the daytime ratings for this week's playoffs have been down since last season. It also explains why viewership of the late games on both Monday and Tuesday increased by more than 25 percent from the same spots last postseason.

PRO or CON – You Decide



<https://youtu.be/6EmIDqGOX44>

Ethics: Key Definitions

- ---

 - *The inner-guiding moral principles, values, and beliefs that people use to analyze or interpret a situation and then decide what is the right or appropriate way to behave*
- ---

 - *Ethics (same as above) in a business context*
 - *proper business policies and practices regarding potentially controversial issues*



- Workplace Ethics
 - Business Ethics
 - Organizational Ethics
 - Managerial Ethics
- Many names, same general concept*

The Nature of Ethics

- _____
 ○ *The quandary people find themselves in when they have to decide if they should act in a way that might help another person or group even though doing so might go against their own self-interest*



Our ethics are (usually) fine until an ethical dilemma arises!

Integrating Ethics into Decision Making

We're basically referring to an individual's (manager's) responsibility to make business decisions that are

_____,
 _____,
 _____, and
 _____.



Integrating Ethics into Decision Making

Agreeing on what is
“legal” and “honest”
may not be difficult.

Agreeing on what is
“moral” and “fair”
can be a difficult task!



Why?

Why?

Integrating Ethics into Decision Making

Ethics implies making a choice between decision-making rules.

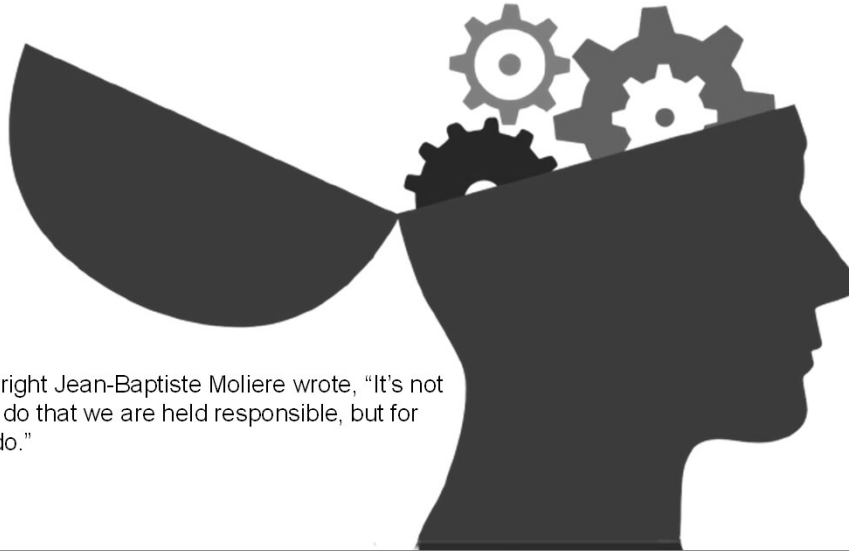
However, there are no absolute or indisputable rules or principles that can be developed to decide if an action is ethical or unethical

Example:
When choosing between
two suppliers, do you
choose the cheapest or the
highest quality?



Therefore, the goal is to make you aware of your reasons (motivations) for making your decisions.

Behavioral Ethics



As French playwright Jean-Baptiste Moliere wrote, "It's not only for what we do that we are held responsible, but for what we do not do."

<https://youtu.be/ivihRQAQui0>

Values: The foundation for our Ethics

- *important and lasting beliefs or ideals shared by the members of a culture about what is good or bad and desirable or undesirable*
- *Relatively stable life goals, reflecting what is important to the person*

So, an ethical dilemma occurs when a situation arises in which two or more potentially "right" values are in conflict. Each person or organization will hold certain values higher than another.



Values: The foundation for our Ethics

So, an ethical dilemma occurs in situations where two or more potentially "right" values are in conflict.

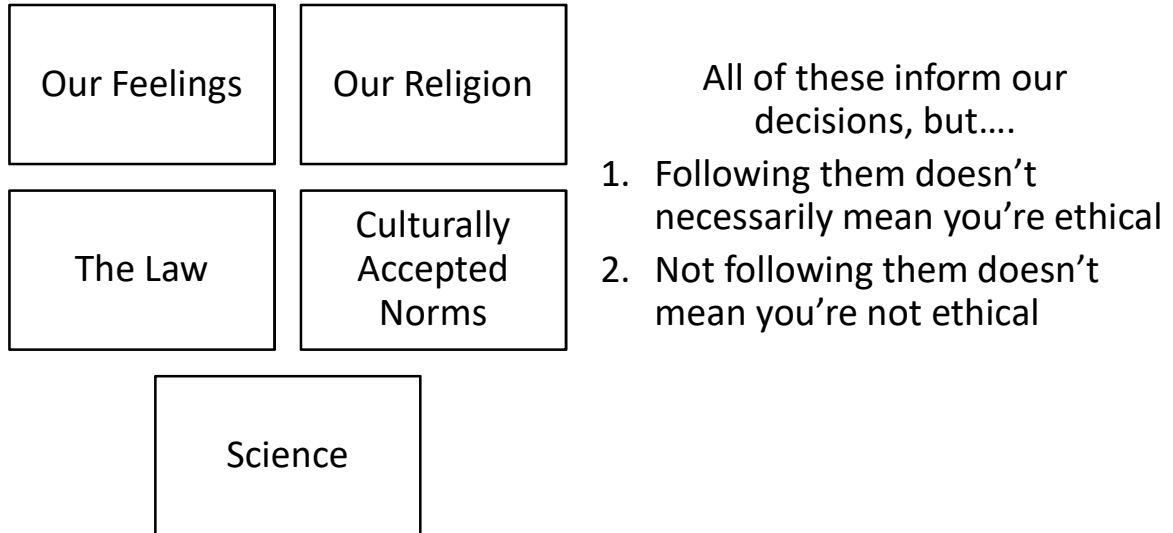
Each person (or organization) will hold certain values higher than another.

loyalty  honesty

Do you tell your parents about your sister's drug problem?

Our Ethics are often Shaped by....

Ethics is not the same as...



What Ethics is not



Ethics is not the same as feelings.

- Feelings provide important information for our ethical choices.
- Some people have highly developed habits that make them feel bad when they do something, but many people feel good even though they are doing the same thing.

What Ethics is not

Ethics is not confined to religion.

- *Most religions advocate high ethical standards and demand (encourage) ethical behavior.*
- *Many people without a religious background follow the same ethical principles and behaviors as religious individuals.*

treat other people the way you want to be treated. the most simple rule in life.

Thou shalt not steal...



WHAT TO DO WHEN AN EMPLOYEE SPENDS TOO MUCH TIME ON THEIR

CELL PHONE



What Ethics is not

Ethics is not synonymous with the law.

- A good system of law does incorporate many ethical standards, but law can deviate from what is ethical.
- Law may have a difficult time designing or enforcing standards in some important areas, and may be slow to address new problems.
- *A good system of law does incorporate many ethical standards (murder), but law can deviate from what is ethical (past civil rights and voting laws).*
- *Most kinds of lying are perfectly legal, but lying is generally recognized as being unethical;*
- *Breaking promises is generally legal, but is widely thought of as unethical;*
- *Cheating on your husband or wife or boyfriend or girlfriend is legal, but unethical*



ASHLEY MADISON®
Life Is Short. Have an Affair.®



What Ethics is not

"But Dad, all my friends are going...."

Ethics is not about following culturally accepted norms.

- *Standards of behavior in society can deviate from what is ethical.*
- *An entire society can become ethically corrupt.*



What Ethics is not: The Milgram Experiment

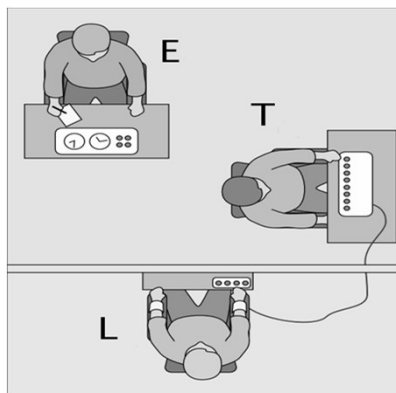


Photo Source: http://en.wikipedia.org/wiki/Image:Milgram_Experiment_v2.png

This is an illustration of the setup of a Milgram experiment. The experimenter (E) convinces the subject ("Teacher" T) to give what are believed to be painful electric shocks to another subject, who is actually an actor ("Learner" L). Many subjects continued to give shocks despite pleas of mercy from the actors.

Watch YouTube Video

What Ethics is not: The Asch Experiment



This is a sample item from the Asch study. Participants were asked one by one to say which of the lines on the right matched the line on the focal line on the left. While A is an exact match, many participants conformed when others unanimously chose B or C.

Watch YouTube Video



VW executives reportedly knew about false fuel efficiency and emissions

VW CEO was told about emissions crisis a year before admitting to cheat scandal

- Then-CEO Martin Winterkorn was sent memo detailing emissions figures
- Volkswagen installed illegal 'defeat device' in US cars to trick regulators

It Could Be That Only A Few VW Engineers Really Knew About Emissions Cheating

Volkswagen used codewords to conceal diesel emissions cheating

Volkswagen probe finds manipulation was open secret in department: newspaper

College Admissions Scandal

Complete coverage of a brazen cheating scheme.



KATHERINE TAYLOR FOR THE NEW YORK TIMES

A Mystery Solved in the College Admissions Scandal: The Family Who Paid \$1.2 Million

Relatives of a young woman from China who enrolled at Yale paid the sum to a college consultant at the center of the scandal, her lawyer said.

April 26, 2019 • By KATE TAYLOR and JENNIFER MEDINA



ASSOCIATED PRESS

Lori Loughlin and Felicity Huffman: 1 Scandal, 2 Actresses, Diverging Paths

Among the dozens of parents swept up in the college admissions case were two Hollywood actresses. Their stories are very different.

April 10, 2019 • By JENNIFER MEDINA

Students Receive 'Target Letters' in College Admissions Scandal, Lawyer Says

At least some children of the parents who were charged in the college admissions scandal have reportedly received letters that notify people that they could be targets of a criminal probe.

April 15, 2019 • By JENNIFER MEDINA and ANEMONA HARTOCOLLIS



College Admissions Scandal: Your Questions Answered

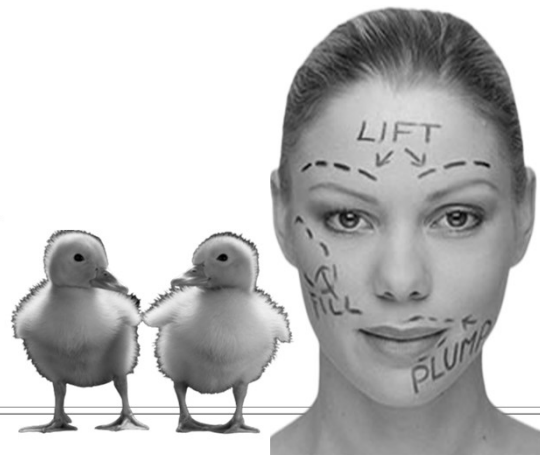
Here's an overview of what we know so far about what prosecutors have called the "largest college



What Ethics is not

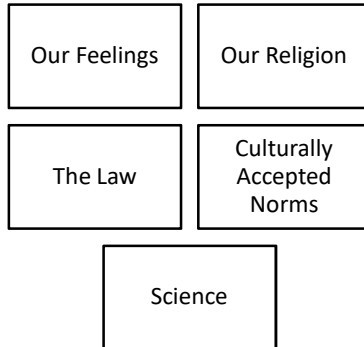
Ethics is not science.

- *Social and natural science can provide important data to help us make better ethical choices. But science alone does not tell us what we ought to do.*
- *Science may provide an explanation for what humans are like. But ethics provides reasons for how humans ought to act.*
- *And just because something is scientifically possible, it may not be ethical to do it.*



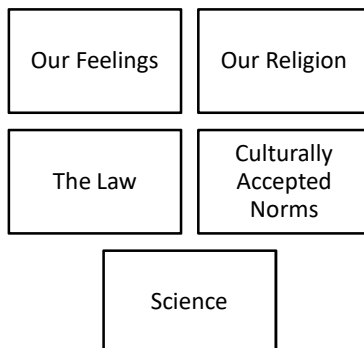
Learning Ethics

Many of you may not agree with these.
You may believe ethics is exactly these things.



Learning Ethics

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Actually, that's predictable!

Learning Ethics: Kohlberg's Moral Stages

Level and Age	Stage	What determines right and wrong?
Preconventional: Up to the Age of 9	Punishment & Obedience	Right and wrong defined by what they get punished for. If you get told off for stealing then obviously stealing is wrong.
	Instrumental - Relativist	Similar, but right and wrong is now determined by what we are rewarded for, and by doing what others want. Any concern for others is motivated by selfishness.
Conventional: Most adolescents and adults	Interpersonal concordance	Being good is whatever pleases others. The child adopts a conformist attitude to morality. Right and wrong are determined by the majority
	Law and order	Being good now means doing your duty to society. To this end we obey laws without question and show a respect for authority. Most adults do not progress past this stage.
Postconventional: 10 to 15% of the over 20s.	Social contract	Right and wrong now determined by personal values, although these can be over-ridden by democratically agreed laws. When laws infringe our own sense of justice we can choose to ignore them.
	Universal ethical principle	We now live in accordance with deeply held moral principles which are seen as more important than the laws of the land.
Watch Video		

Learning Ethics: Kohlberg's Moral Stages

Level and Age	Stage	What determines right and wrong?	
Preconventional: Up to the Age of 9	Punishment & Obedience	Right and wrong defined by what they get punished for. If you get told off for stealing then obviously stealing is wrong.	Fear
	Instrumental - Relativist	Similar, but right and wrong is now determined by what we are rewarded for, and by doing what others want. Any concern for others is motivated by selfishness.	Self-interest
Conventional: Most adolescents and adults	Interpersonal concordance	Being good is whatever pleases others. The child adopts a conformist attitude to morality. Right and wrong are determined by the majority	Peer pressure
	Law and order	Being good now means doing your duty to society. To this end we obey laws without question and show a respect for authority. Most adults do not progress past this stage.	Follow rules
Postconventional: 10 to 15% of the over 20s.	Social contract	Right and wrong now determined by personal values, although these can be over-ridden by democratically agreed laws. When laws infringe our own sense of justice we can choose to ignore them.	It's complicated...
	Universal ethical principle	We now live in accordance with deeply held moral principles which are seen as more important than the laws of the land.	Universal principles
Watch Video			

Learning Ethics: Kohlberg's Moral Stages

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- *People need to experience life and take part in ethical situations to be able to process at higher levels.*
- *How a person responds to, and justifies, different dilemmas would signify that he or she is capable of reasoning at a certain level.*

Remember these when we look at responses to the survey!

Learning Ethics: Social Intuition

The Social Intuition Model

- *A newer way of thinking about our approach to ethical dilemmas*
- *While Kohlberg gives a rational model for ethical decision making, Haidt believes it is non-rational*
- *Intuition (gut feeling) provides an instantaneous, emotional reaction to a morally charged situation (trigger)*
- *We then try to explain our feeling (reasoning)*



- *When social justification is needed we build a case, putting forth arguments for why it's wrong. When all arguments are exhausted, we simply say, "I can't explain it, I just know it's wrong."*

Basic Perspectives (Views) on Managerial Ethics

Behavioral Ethics

The Utilitarian view:

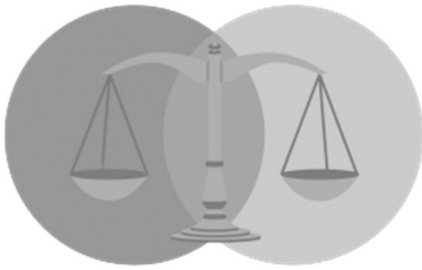
- *Anticipated outcomes and consequences should be the only considerations when evaluating an ethical dilemma.*
- *Consequences are important; tries both to increase the good done and to reduce the harm done.*
- *The ethical corporate action, then, is the one that produces the greatest good and does the least harm for all who are affected – STAKEHOLDERS!*

Behavioral Ethics

When in doubt, do what's best for yourself

The **Self-Interest** view:

- *Benefits of the decision-maker(s) should be the primary considerations.*
- *The ethical corporate action, then, is the one that produces the greatest good for me*



**HAPPY
WIFE
HAPPY
LIFE**

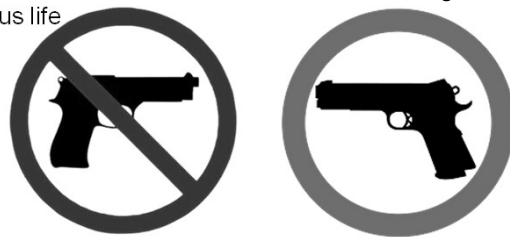
Behavioral Ethics

The **Rights** view:

Humans have a dignity based on their ability to choose freely what they do with their lives

The ethical corporate action, then, is the one that protects basic individual rights.

- Beginning Fall 2016, students can carry concealed handguns into classrooms, dormitories and other buildings:
- **Supporters say it will make college campuses safer** by allowing licensed gun owners to defend themselves & others should a mass shooting occur
- **Supporters say we have a right to bear arms**, and this includes all public places. The University is a public setting.
- **Opponents** say the notion that armed students would make a campus safer is an illusion that will have a chilling effect on campus life



Behavioral Ethics

The **Justice** view:

- All decisions will be made in accordance with pre-established rules or guidelines.
- The ethical corporate action, then, is the one that follows the rules/laws.



I don't smoke because it's against the rules
I wear my seatbelt because it's the law

- Beginning Spring 2020, we became a tobacco and e-cigarette ("vape") free campus.



Behavioral Ethics



The **Integrative Social Contracts** (Common Good) view:

- Decisions should be based on existing norms of behavior, including cultural, community, or industry factors.
- The ethical corporate action, then, is the one that follows accepted practices.

The Deontological view:

- Decisions should be based on personal or religious convictions.
- The ethical corporate action, then, is the one that aligns with your belief system.

