Business Ethics and Social Responsibility
Ethics

*Ethics:* the study of right and wrong and of the morality of choices individuals make.

- Individual standards or moral values regarding what is right and wrong

*Business ethics* is the application of moral standards to business situations

- the principles and standards that define acceptable conduct in the world of business
Ethical Issue

An identifiable problem, situation, or opportunity that requires a person to choose from among several actions that may be evaluated as right or wrong, ethical or unethical.
Reactions to Unethical Employers

What happened when surveyed employees found out their employers were doing something that was against the employee’s ethical standards...

- tried to resolve the situation without losing job: 40%
- talked to boss: 38%
- did nothing: 9%
- quit: 5%
- other: 1%
- not sure: 7%

Reasons for Not Reporting Observed Misconduct

1. Fear of not being considered a team player
2. Didn’t believe corrective action would be taken
3. Feared retribution or retaliation from supervisor or management
4. No one else cares about business ethics so why should I?
5. Didn’t trust organization to keep report confidential

Ethical Issue Categories

- Conflict of interest
- Fairness and honesty
- Communications
- Business relationships
- PLAGIARISM
How can organizations promote ethical behaviors?

Codes of Ethics

Formalized rules and standards that describe what a company expects of its employees
How can organizations promote ethical behaviors?

Whistle Blowing

Informing the press of government officials about unethical practices within one’s organization
Three Factors that Influence Business Ethics

- Individual Standards and Values
- Managers’ and Coworkers’ Influence
- Opportunity: Codes and Compliance Requirements

= Ethical/Unethical Choices in Business
Whistle Blower Cases

Who paid?       SmithKline Beecham Clinical Laboratories
How much?       $325 million
Whistle-blower share? $52 million
    ($42.3 million being appealed)
Allegations?    Paid kickbacks to doctors & billed Medicare for unordered tests

Source: “Taxpayers Against Fraud”, USA Today, November 9, 1998, p. 15B.
Whistle Blower Cases

Who paid? United Technologies
How much? $150 million
Whistle-blower share? $22.5 million
Allegations? Billed U.S. military for work not yet performed

Source: “Taxpayers Against Fraud”, USA Today, November 9, 1998, p. 15B.
Comparison of Business Ethics and Social Responsibility

Social Responsibility
Refers to a business’s obligation to maximize its positive impact and minimize its negative impact on society.

Business Ethics
Refers to the principles and standards that define acceptable conduct in the world of business.
Arguments for Social Responsibility

Voluntary Responsibilities
- being a “good corporate citizen”;
- contributing to the community and quality of life

Ethical Responsibilities
- being ethical; doing what is right, just, and fair; avoiding harm

Legal Responsibilities
- obeying the law (society’s codification of right and wrong); playing by the rules of the game

Economic Responsibilities
- being profitable

Arguments for Social Responsibility

1. Business helped to create many of the social problems that exist today, so it should play a significant role in solving them, especially in the areas of pollution reduction and cleanup.

2. Businesses should be more responsible because they have the financial and technical resources to help solve social problems.

3. As members of society, businesses should do their fair share to help others.

4. Socially responsible decision making by businesses can prevent increased government regulation.

5. Social responsibility is necessary to ensure economic survival: If businesses want educated and healthy employees, customers with money to spend, and suppliers with quality goods and services in years to come, they must take steps to help solve the social and environmental problems that exist today.
Arguments Against Social Responsibility

1. It sidetracks managers from the primary goal of business--earning profits. Every dollar donated to social causes or otherwise spent on society's problems is a dollar less for owners and investors.

2. Participation in social programs gives businesses greater power, perhaps at the expense of particular segments of society.

3. Some people question whether business has the expertise needed to assess and make decisions about social problems.

4. Many people believe that social problems are the responsibility of government agencies and officials, who can be held accountable by voters.
Dimensions of Social Responsibility

- ECONOMIC
- LEGAL
- ETHICAL
- VOLUNTARY
Areas of Social Responsibility

- Environment – protection and sustainability
- Customers – right to safety, to be informed, to be heard, and to choose
- Employees – fair and equitable practices
- Investors – to act in their best interests
- Community - to enhance QOL, donations