

Instructor's Manual
Canadian Business and Society
Ethics, Responsibilities and Sustainability, 3e

Chapter 1 – The Relationship between Business and Society

The purpose of this chapter is to give an overview to the topic by providing some background on the business and society environment and some of the terminology necessary to study about business ethics and responsibilities.

CHAPTER GUIDE

Use of the “What would you do if ...?” Vignette

Start the discussion with getting student reactions to the questions posed in the last paragraph. Note that the pledge identifies the three aspects of social responsibility: social, economic and environment.

It would be insightful to ascertain whether any students had a similar experience (that is, attitude toward enrolling in a business program).

Additional questions:

- Are you (i.e. students) aware of positive news about business in the media or in their daily interactions with others?
- Would you take the pledge?
- What is the social responsibility of a university or business department?

A graduation oath will be discussed in Chapter 16. Refer back to this vignette and ask if attitudes have changed, or if answers to questions have changed.

Note: Comments in “Your advice to Angela ... page 20.

Additional “What would you do if ...?” Vignette

Joyce Chan, a business studies student, is a customer of the TD Bank Financial Group as are members of her family. She had not thought much about which bank to patronize until she received a small inheritance from her grandmother. After researching the financial performance of Canadian banks, she decided that may be she should examine how the banks contributed to society. This decision was prompted by her introductory course in business that emphasized the role of business in society and covered such topics as the ethics of business and corporate social responsibility. She felt that her professor was well informed on these topics and encouraged students to think about the influence of business on society.

After reviewing the annual and social reports of the banks, she decided that the TD Bank

was as responsible a corporate citizen as any of the others. The bank's *Corporate Responsibility Report* impressed Joyce. The report was over 60 pages long and outlined how the bank was involved with Canadians in general, their communities, the environment, and its customers, employees, and shareholders. The bank's initiatives with communities and the environment were of particular interest. Various community giving programs were supported across Canada including in the areas of children's health, education and literacy, and donations to local charities. In particular, Joyce liked the bank's commitment to the environment. There were environmental policies about reducing waste, energy efficiency, responsible lending, and reducing paper consumption. In addition, the bank supported 900 community environmental projects through the TD Friends of the Environment Foundation, sponsored the Great Canadian Shoreline Cleanup involving over 36,000 volunteers at more than 800 sites, and established a fund to assist students taking environmental studies at the University of Ottawa.

As a result, Joyce became a shareholder and appreciated the dividends received quarterly and in a short time, doubled the money invested as the stock price rose.

Joyce was distressed to read in *Canadian Business* about two environmental groups, Rainforest Action Network and Forest Ethics, accused TD Bank of "greenwashing," that is, not seriously addressing environmental issues by talking about them rather than really solving them. The groups accused TD Bank of not requiring greenhouse gas emissions reduction targets for projects financed, and giving loans to projects without sufficient environmental safeguards being in place. The bank responded by referring to its environmental policies and initiatives.

Several questions came to mind. Should corporations be held to account as individuals are? But, individuals do not behave perfectly and why should corporations be held to a higher standard? Were the environmental groups being reasonable? Should she sell her shares?

If you were Joyce, what would you do?

Source: Christina Campbell, "Beware the greenwash," *Canadian Business*, April 24-May 7, 2006, 10; TD Bank Financial Group Web Site, "Community Relations," at <http://www.td.com/community/crr2005/index.jsp> accessed 7/19/2006; and Rainforest Action Network Web Site, News Article at http://ran.org/media_centre/news_article/?uid+1952 accessed 5/25/2006.

Comments on Additional Vignette

This vignette gives an example of one corporation's relationship with society. The TD Bank Financial Group appears to have a strong social responsibility program that can be accessed at: <http://www.td.com/corporate-responsibility/index.jsp>. This site may be students' first exposure to this type of report and it does give some idea of what is ahead in the course.

The questions posed in the vignette are a good starting point.

- Should corporations be held to account as individuals are? – The comparison of a corporation to an individual is always being made. There is no definitive answer, but there will be a lot of discussion.
- Individuals do not behave perfectly and why should corporations be held to a higher standard? – This question is just making the point that if a comparison is made, we should realize that individuals are not perfect.
- Were the environmental groups being reasonable? – Students can access the web sites of the two groups mentioned: Rainforest Action Network at <http://www.ran.org/> and Forest Ethics at <http://www.forestethics.org/>. These are environmental non-governmental organizations which students may wish to learn more about (the discussion of TD's environmental policy may not be available any longer). The accountability of NGOs will be discussed at several points in the text, mainly in Chapter 13.
- Should she sell her shares? – Investors, or shareholders, usually sell their shares when they are dissatisfied with the economic or financial performance of the corporation. Of course, they can do the same if they are dissatisfied with the corporation's social and environmental performances. As a follow-up question, ask yourself: Would you (or should Joyce) sell the shares, even at a loss?

Supplementary Lecture Materials

In addition to opening the class with a discussion of this vignette, use the “*Ethics: Everybody, Everywhere, Everyday*” survey in the Appendix

LO1.1 The Complexity of Business and Society

Describe the complexity of the interrelationships between business and society.

Few students appreciate the complexity of business and society and the ethics and responsibilities involved. This can be illustrated by asking students to think about a common product that they are familiar with and which they consume. The Projects/Assignments/Questions section contains materials relating to coffee that can be used in a classroom discussion. This material can also be used later in the course.

There are some points that should be emphasized:

- The text avoids the “right versus wrong” approach to viewing the issues involved with business and society.
- Solutions are not always straightforward or simple. Frequently dilemmas exist and the distribution of harms and benefits varies among the stakeholders.

Everyday Ethics 1.1: “Beyond the Green Corporation”

This article is a good overview and may be worthwhile to access through the library's

electronic journal databases. Note that the points are general and do not refer to particular corporations as was done in the article. There are several examples in this chapter responding to some or all of the points made. Even though written in 2007, the article is still applicable.

Discussion Question:

What green corporations can you identify and why do you consider them green?

LO1.2 Integrity in Business

Define the terminology relating to the integrity of business.

Note the distinction made between “business ethics” and the “ethics of business.”

It is worthwhile to clarify some of the corporate social responsibility terminology at this time. This clarification will reduce confusion for students as they proceed in the book.

In addition to the terminology in Table 1.1, there are other terms that apply to integrity in business:

- Corporate responsibility—the complete responsibility of business to society.
- Sustainable development—ensuring that resources are used in such a way that they will be available for future generations.
- Natural capitalism—a set of trends and economic reforms to reward energy and material efficiency.
- Corporate stewardship—refers to how corporations manage resources under their control.
- Conscientious commerce—investing according to one’s values; social investing.
- 3 Es—Economics, Environment, Equity.
- 3 Ps—Profits, Planet, People.

Use of these term’s results might cause confusion. There are nuances, but they all relate to the ethics and responsibilities of business.

Everyday Ethics 1.2: A Nobel Prize for Wal-Mart?

Wal-Mart is the focus of criticism! This insert takes a counter-view and should result in an interesting discussion.

Discussion Questions:

Is Wal-Mart unfairly criticized? Does it do more harm than good for consumers or the communities in which it operates? Is Wal-Mart deserving of a Nobel Prize?

[Instructors should point out the business that Nobel was in! One source of information on Nobel and his business is http://nobelprize.org/alfred_nobel/. Click on FAQs and Timeline.]

Not only is Wal-Mart controversial, but so is Nobel!

LO1.3 Main Approaches to Ethical Thinking

Differentiate between the three main approaches to ethical thinking.

This section has been introduced in the edition in response to reviewers/users who felt that “ethics” should be covered earlier in the text. Business ethics are still covered in more detail in Chapter 5.

Through the description of three approaches to ethical thinking, students are able to get a sense of the diversity in ethical theories. The approaches are summarized in Table 1.2 and a comparison can be made. Note that a limitation is given for each to indicate that there is not one best way or approach.

Responsibility for Ethics 1.1: Aristotle and the Ethics of Business

The purpose of this insert is to illustrate that the writings of philosophers from centuries ago are not irrelevant to today’s business environment.

LO1.4 The Canadian Business System

Provide a brief explanation of the Canadian business system.

This section provides a brief introduction to the Canadian business system. It is intended to clarify what the system is and to define some of the common terminology relating to economic systems.

Ask students which definition best describes the Canadian business system.

Responsibility for Ethics 1.2: Adam Smith, the “Father of Capitalism”

Adam Smith has been influential in the development of capitalism. He is constantly referred to in the literature and media. Students should appreciate the influence of this man even after over 200 years.

Discussion Questions:

Who was Adam Smith? What did he do in life?

Why does his influence continue to this day?

Refer to CONNECT below.

CONNECT: Want to learn more about Adam Smith?

There are lots of Adam Smith biographies on the Internet. One possibility is provided by the Adam Smith Institute at: <http://www.adamsmith.org/adam-smith/>.

This site contains an introduction to Smith and the following sections are of particular interest:

- The social order to freedom
- The psychology of ethics
- Self-interest and virtue

Also available is information on Smith's publications:

- *The Wealth of Nations*
- *The Theory of Moral Sentiments*
- Quotations from his writings

Also accessible from this page are the following:

- About Us – including FAQs
- Research – articles, books and reports. Note the how recent the publications are.
- Students – a description of the Next Generation, conferences, Freedom Week, Internship Program, and learning about liberty.
- Shop – purchase books and an Adam Smith Institute tie!
- The Adam Smith blog

Despite having lived between 1723 and 1790, Smith still influences economic and ethical thinking today.

Everyday Ethics 1.3: Ethics and the Alberta Oil Sands Development

The Alberta Oil Sands have received considerable attention in the media, and there are numerous web sites opposing the development and a few supporting it.

Discussion Questions:

What should be required of corporations when developing natural resources?

How will corporations react to demands for social and environmental responsibilities?

Exercise:

Have students visit the web sites of the four companies mentioned in the box and compare the efforts at social and environmental responsibilities undertaken by each.

Teaching Suggestion:

The *500 Birds on a Pond* case in the “Business and Society Ethics and Responsibilities Cases” section examines one issue relating to oil sands development, settling ponds and wildlife. The case could be used in conjunction with this Chapter.

“Ethics of Oil” is an End-of-Chapter Case on page 211 which might be used at this point.

Internet “Watch” Sites

Many Internet sites discuss the Alberta Oil sands from different points of view, including: Oil Sands Watch, Pembina Institute at <http://www.pembina.org/oil-sands>. Canada's Oil Sands, Canadian Association of Petroleum Producers at <http://www.oilsandstoday.ca>. Tar Sands Watch, Polaris Institute at <http://www.tarsandswatch.org/>.

Supplementary Lecture Materials

The following material appeared in the first edition and may be useful in elaborating on the Canadian business system.

Factors Influencing the Morality of Canadian Business

There are some factors of the Canadian business environment that, although not unique, should be kept in mind when attempting to understand the interrelationships between business and society. These factors influence corporate behaviour highlighting the ethical implications for business.

Diversity of Business Interests

The Canadian business is not a monolith reacting in a uniform manner to society's demands or government's involvement. The fact that business enterprises are of differing sizes suggests that what is appropriate for large enterprises may be detrimental to smaller ones. Corporations in some industries may seek government protection through tariffs, while enterprises in other industries may be advocates of free trade. Some industries are very competitive, for example, the fast food business, while in other industries there are few competitors who may exercise monopoly power. When wrong doing is identified in a particular corporation or industry, the inappropriate behaviour should not be generalized to all business.

Foreign Ownership and Influence

Foreign ownership has historically been an issue in the Canadian business system, and there has been substantial discussion of the pros and cons of foreign investment in Canada. Nationalism resulted in restrictions on the extent and form of foreign business, but in recent years these restrictions have been reduced. The objective of controlling foreign investment has been to encourage foreign business to behave as "good corporate citizens," rather than to drive out foreign investment. Sometimes foreign owned businesses are portrayed as not respecting Canadian rights or interests.

Resource Based Economy

The Canadian economy is substantially resource based. Agriculture, energy production, mining, forestry, and fishing contribute a large portion of business activity. The manufacturing sector is small compared to that of some other countries, such as Germany, the United Kingdom, or the United States, and is concentrated in Ontario and Quebec. The processing of natural resources dominates the manufacturing sector with the

processing of food, petroleum and coal refining, chemical production, wood manufacturing, and primary metals processing. Natural resources, in one form or another, are the bulk of Canada's exports. Natural resource industries tend to be price takers and are vulnerable to fluctuations in the world supply and demand for commodities.

Because of the resource based nature of the economy, Canada is characterized by hundreds of single-industry towns. These communities rely on a single industry for their livelihood and are very vulnerable to changes in the world markets for the commodities produced, or to the fortunes and misfortunes of the business enterprises operating the local plant, mine, or mill. Another consequence of the dominance of resources is the existence of mega projects, which have played a major role in the economy and involve business enterprises.

Importance of Trade

Canada is a major trading nation and a large number of business enterprises operating here either export goods produced in Canada or import goods produced elsewhere. The importance of trade has been reinforced by the emergence of a global economy. Trends toward freer trade among nations have created opportunities for business to increase commercial activity on a worldwide basis, and have led to the operation of stateless or borderless corporations. As Canada is a major trading economy, businesses have had to adjust to this new reality. Canada operates in a global economy and this globalization presents ethical challenges as exemplified by the morality of outsourcing.

The Influence of Small Business

Since the 1970's, small business has been a "growth industry" in Canada. Of the approximately 2.3 million business enterprises in Canada, 97 percent are defined as being small or medium sized with less than 500 employees. Fifty-six percent of small businesses have no employees, 42 percent have up to fifty employees, and two percent have 50 to 499 employees. Although the numbers vary by year, about 135,000 new businesses enter the economy each year and about 125,000 exits.¹ Small businesses are also challenged by the ethical implications of their operations and this will be discussed throughout the book.

"Bigness" in the Business System

The nature of competition between business firms in Canada is reflected in the degree of industrial concentration in the economy. Concentration refers to the degree to which the whole economy and industries within it are dominated by a few large firms. A relatively small number of firms control a large portion of business activity. This concentration is especially evident in a few specific industries, for example, tobacco products, brewing, and gasoline retailing. By contrast, less than 10 percent of the market

¹ Statistics are from: Canadian Federation of Independent Business Web Site at http://www.cfib.ca/default_E.asp?l=E accessed 7/25/2006, and "Key Small Business Statistics - January 2006," Government of Canada, Industry Canada Strategis Web site at <http://strategis.ic.gc.ca/epic/internet/insbrp-rppe.nsf/en/rd01829e.html> accessed 7/25/2006.

in the furniture, clothing, and construction industries is controlled by the four largest businesses. Large enterprises have dominated Canadian business in the past and continue to do so even though some conglomerates broke up or divested in the 1990's. Canadians are concerned about the power or influence of large corporations and are applying pressure on them to become more accountable to society. Large size is often associated with undesirable corporate behaviour, but there are counter arguments to this claim as illustrated in the Exemplifying Responsibility insert.

Government Presence

Government has always been a major influence on economic activity in this country. This involvement has often been initiated and encouraged by businesspersons. No manager or business owner can ignore the impact government has on the operation of their enterprise, or the need to influence the direction of government policies. The extent to which government controls or influences the behaviour of businesses varies over time. During the Second World War and for about a 40 year period afterwards, Canadian governments played an increasing role in the economy and controlling business activity. Since then, there has been a decline in government involvement allowing business to regulate its own behaviour to a greater extent.

LO1.5 The Corporation and the Business System

Explain the role of the corporation as the main economic institution in the business system.

The corporation is the principle institution or organizational form used for carry out the functions of business. Students have been exposed to the business system in general terms and now are introduced to the corporation. Note how the corporation is created today, and the implications for ethics and responsibilities. Even though the distinction between the “concession” and “free association” doctrines is theoretical, it is a good one to make to help with understanding the corporation’s ethics and responsibilities.

Everyday Ethics 1.4: Canada’s Best Corporate Citizens

There are several listings of the best corporate citizens and others will be introduced later in the text. The one by *Corporate Knights* is of interest because this is a magazine completely devoted to responsible Canadian business. Most of the materials in the magazine can be accessed at <http://www.corporateknights.ca/>. It is a good source for materials on Canadian business and society for both students and instructors.

Assignment: Canada’s Outstanding CEO

In addition to Canada’s Best Corporate Citizens (Everyday Ethics 1.4, page 12), the *National Post* in cooperation with Bennett Jones identifies Canada’s Outstanding CEO of the year. Information is available at: <http://ceoaward.ca/home>.

The selection criteria include: vision and leadership, corporate performance, global competitiveness, innovative business achievement, and social responsibility. The description of the social responsibility criterion is:

In addition to corporate performance and innovation, a truly outstanding CEO uses his or her private sector skills and creativity to help the community overcome social or environmental problems.
(<http://ceoaward.ca/selectioncriteria>)

Before disclosing this web site, ask students to write a description of the “social responsibility” criterion when selecting Canada’s Outstanding CEO. After some suggestions, present the one above and ask their views on it. The description is very brief and does not provide much direction. Also, discuss the weighting of the criteria.

This assignment could also be used with Chapters 8 and 16. Another possibility is to do the assignment in the beginning of the course and again at the end with a comparison of the results being made.

LO1.6 The People Who Run Canadian Business

Identify the three stakeholders mainly responsible for the operation of Canadian businesses.

The purpose of this section is to provide a brief introduction to the three key stakeholders associated with operating corporations: owners, directors, and managers.

Responsibility for Ethics 1.3: Nexen Board’s Commitment to Ethics

This insert illustrates the role, and responsibilities, of a Board of Directors relating to ethics or social responsibility. Note that how the policy will be implemented is included. Similar committees exist with other boards, but they have many different names.

Discussion Question:

Why should Boards of Directors have a role and responsibility for ethics in the corporation? The response should include the point that it is important to demonstrate commitment to ethics at the top of the corporation if anyone else is to pay any attention to it.

LO1.7 Society’s Attitudes toward Business

Summarize factors that influence society’s attitudes towards business that lead to criticisms of the system.

Everyday Ethics 1.5: Calgary Business Cares about Poverty

Discussion Question:

Why would Calgary businesspersons bother about solving poverty? – Businesspersons are human! They care for their fellow people the same as others in society. Just because they are business leaders does not mean that they are heartless or without compassion. Some students may give a more cynical response. It is difficult to identify how the business leaders or their corporations would gain economically from the initiative.

Everyday Ethics 1.6: Ponzi Schemes Live On

If more information is necessary on Ponzi, the following are possibilities:

<http://www.mark-knutson.com/Ponzi/index.html>, and

<http://www.u-s-history.com/pages/h1800.html>.

The U.S. Securities and Exchange Commission has an information sheet on him at

<http://www.sec.gov/answers/ponzi.htm>. The FAQs include a video!

YouTube has several videos. Seeing pictures of Ponzi may provide reality to the schemes.

Student Assignment: Request that students research the recent occurrence of Ponzi schemes.

CONNECT: Want to learn more about the documentary *The Corporation*?

When the documentary “The Corporation” premiered in 2004, it received wide exposure and comment, and was viewed and discussed in many business schools. It won numerous awards in film festivals around the world.

The documentary was produced by Canadians Mark Achbar, Jennifer Abbott, and Joel Bakan, and contributes to the debate about the role of the corporation in society. It uses case studies, vignettes, interviews and conversations with business leaders, social commentators, activists, scientists and other influential thinkers. Dozens of issues about the relationships between business and society are raised and several industries are featured. Some of the topics covered are the corporation as an individual or institution, the harms of marketing and advertising, the corporation as government, the production of questionable products, and the patenting of life forms.

This film is available at rental outlets, can be downloaded from iTunes, and a version is available on YouTube. An educational version is available that contains separate sequences on some issues. For information on this version go to the film’s main web site at <http://www.thecorporation.com/>. There are several study guides available and they are listed at http://www.thecorporation.com/index.cfm?page_id=16. Teaching materials have been developed for the documentary to use in schools and the University of Western Ontario’s Richard Ivey School of Business has developed a Study Guide for “The Corporation.”

CONNECT: Want to learn more about attitudes toward business?

Society's attitude towards business corporations and managers, particularly CEOs, varies. The table below breaks the last 150 years into approximate time periods, identifies the overall attitude and gives views of the period.

CHANGING ATTITUDES TOWARD BUSINESS OVER TIME

Time Period	Overall Attitude	Views Expressed during Period
Late 1800s, early 1900s	Negative	“Robber Baron” era with concentration or combinations occurring in industries
1920s	Positive	Prosperity of the “Roaring Twenties”
1930s	Negative	Collapse of financial markets and economic depression imposed hardships. Government increased regulation of business.
Later 1940s, 1950s & 1960s	Positive	Prosperous times and rampant consumerism.
1970s	Negative	High inflation from petroleum prices. People cynical of business and corporations considered social responsibility.
1980s	Positive	More favourable views toward business. Governments began reducing regulation. Prosperity and materialism.
1990s	Negative	Financial instability, junk bonds. “Greed” mentality prevailed. Business failures, including trust companies in Canada.
2000–2003	Negative	Business scandals and resulting failures. Governments increase regulation of financial accounting.
2004–2007	Positive	Corporate social responsibility increasingly practised by business corporations
2008–	Negative	Financial crisis and economic downturn. Excessive compensation deals and government bailouts. Financial crises in Europe.

LO1.8 Society's Permission for Business

Recognize that business operates with the consent of society

Added to the discussion of legitimacy, this LO now includes explanations of an increasingly used concept, social licence.

Supplementary Lecture Materials

The following are some notes for a brief lecture on the “legitimacy of the business system” that supplement the definition on page 17.

Introduction

- Legitimacy involves the belief in the rightness of an institution.
- Refers to the state of affairs in the real world.
- Concerns neither ethics nor legality.
- Also referred to as corporate creditability and involves trust or confidence in business/corporations.
- The extent to which concentrations of economic and social power are perceived to operate in the society's interest.

Challenges to Legitimacy

1. Implications of class system
 - Upper class have positions in business; corporate elite.
 - Middle class generally support.
 - Lower class—often questions system; not so much interested in destroying as getting their share.
2. Society's suspicions of materialism/excessive consumerism
 - Nobler goals than pursuit of wealth.
3. Economic ignorance
 - Failure to understand how business works.
 - Economic education programs.
 - Telling "our story" including thorough CSR reports.
 - Public relations/Reputation management.
4. Excesses/greed/corruption
 - Summer of 2002! (All the business scandals occur!)
 - Setting of poor examples.
5. Hypocrisy of attitudes towards government
 - Asking/accepting government assistance/protection while advocating reduced government.
 - Rescue from failure.
 - Supporting reduction of competition.

Conclusion

- Legitimacy involves power.
- Legitimacy \Rightarrow Responsibility \Rightarrow Accountability
- Profitability and economic performance are not the sole criteria.
- New set of "legitimizers" for acceptance of business: social and environmental responsibilities.

Some Additional Points

- Fragile interdependence between business and society.
- Societal values shift:
 - People more socially sensitive
 - More holistic and community minded
 - Existence of values/ideals that transcend profit/economics
- Broader set of values includes:
 - Treatment of employees
 - Respect for the environment
 - Commitment to product safety and public health
 - Overall contribution to community socially and through quality of life
- Presence of anti-corporate advocates (presently the anti-globalization movement).

LO1.9 Business and Academic Integrity

Understand the relationship between business and academic integrity.

This section can provide the basis for a discussion on the ethics of students. Colleges and universities have been criticized for not reducing unethical behaviour, for example, cheating on exams or copying term papers.

An interesting discussion can be generated by posing the following questions:

- What do faculty members do that you consider ethically inappropriate?
- What do other students do that you consider ethically inappropriate?

Note the term “ethically inappropriate” is used instead of “unethical.” For faculty, students are likely to identify: failure to prevent cheating and misconduct, unfair grading and examinations, inappropriate and expensive textbooks, course workload, and favouritism/bias. For other students, they are likely to identify: misconduct during examinations, plagiarism, and difficulties with group work. This topic could be combined with the discussion of the second case at the end of the chapter.

Given this environment, colleges and universities are considering how to address the ethics of business and social responsibility in business programs. Chapter 6 outlines ethics programs for corporations, and business schools should consider a similar approach. This possibility is discussed further in Chapter 9.

Teaching Suggestions:

- The *Professor Murray’s Ethical Dilemmas* case in the “Business and Society Ethics, Responsibilities and Sustainability Cases” section examines academic integrity pages 405-407. Some of the incidents are appropriate to discuss with the information in this section.
- Request that students take the tests of academic integrity listed on the bottom of Table 1.3 on page 20. Access the Carleton University’s Academic Integrity Quiz at

<http://www1.carleton.ca/studentaffairs/academic-integrity/academic-integrity-quiz>,
or York University's Academic Integrity Tutorial at
http://www.yorku.ca/tutorial/academic_integrity.

LO1.10 Integration of Business and Society

Describe the integration of business and society.

The Porter and Kramer article is widely quoted, is applicable in this Chapter, and is a good note to conclude the Chapter. The main point in the article summarized here relates to the authors' claim that there has been too much focus on the friction (or problems) between business and society versus the shared values existing between business and society. This article is discussed further in Chapter 16.

Teaching Suggestion:

Assign students to read the article (the reference is in the footnote). The *Harvard Business Review* is well written and an easy read for students.

Responses to “Critical Thinking and Discussion Questions”

Additional questions relating to the Chapter's material are available in the Appendix.

1. Do most Canadians understand the working of the Canadian business system or capitalism? Give reasons to support your answer. Do you?

This question cannot be answered definitely. One can speculate that despite interacting with business everyday, many Canadians do not fully understand how it works and are not familiar with the fundamentals upon which it is based. In media coverage of business, there are many misconceptions of business, for example, few understand upon what basis profits are measured or mark-up. Ask students for a definition or description. The responses may be surprising. Just because they are studying business does not mean they can explain it!

2. Do you agree with the position that the frequency of business wrongdoing is about the same as for individuals or any other institutions in society?

Take a poll on this question. The author agrees with the question!

3. Why do people disagree on what is morally appropriate behaviour? Which approach to ethical thing do you practice?

The reason for describing some approaches to ethical behaviour is to illustrate that different people use different approaches to viewing the ethical implications of a situation or decision. This is an important point to establish with students. Thus, there may be two “right” responses in the eyes of individuals. Most persons

have a tendency to use one approach and often ignore that others may use a different approach.

With regard to the second question, refer to the surveys or questionnaires listed in Chapter 5, in particular Table 5.4 “Learning About One’s Own Ethics” if it considered appropriate for students learn more about their own ethics at this stage in the course.

4. How would you describe the Canadian business system?

Students should be able to prepare an answer that would include one or more of the definitions in Section 1.4, the factors influencing the system, the corporation as an institution of business, and most important, the stakeholders.

5. Which two factors influence the integrity of Canadian business the most?

“Government presence” would definitely be included. A second choice would be the resource-based nature of the economy.

6. Should corporations be formed only with the permission of society as represented by government, or should they be allowed to form freely without much government oversight?

This question is key to society’s view of the corporation. If the “permission” (or concession) approach is believed, society, through government, has control over the corporation. Social responsibility could be imposed on the corporation. The demands on the corporation change as society’s expectations change. If the “form freely” (freedom of association) approach is believed, society would rely on corporations to behave in a manner appropriate and as expected by society. In effect, this approach would be a type of “self-regulation” as opposed to government regulation.

7. What is the connection between the type of approach to incorporation and society’s expectations of the corporation?

Society’s expectations would be met in either approach. Obviously in the concession doctrine, society’s expectations as interpreted by government would be imposed on the corporation. In the freedom of association doctrine, the corporation would be under pressure to meet society’s expectations otherwise it would lose its legitimacy. If that occurred, society, most likely through government, would impose its wishes on the corporation.

8. Why should the members of the board of directors have any interest in the relationship between business and society?

The Board of Directors has the overall responsibility of overseeing the performance of the corporation. Today, one aspect of performance relates to the

ethics and responsibilities of business. The Board should (must) signal to management and employees that they are sensitive to the relationship between business and society.

9. What influences most your attitude to business?

A poll of student responses would be interesting. The occurrence of corporate wrongdoing most likely would be prominent in the responses. The Enron scandal is constantly referenced even though it occurred six years ago. More recently, the trial of Conrad Black has focused public attention on corporate misbehaviour.

10. Should businesspersons be concerned about how they and business are portrayed in the popular media?

Definitely. The numerous forms of media constantly present information on business, some of it not favourable. If the images of business portrayed in the media are negative, society may question the legitimacy of business.

11. What are the ethical challenges that you confront as a student?

Students are same as any others in society. Ethical challenges are faced everyday in their interactions with family, fellow students, faculty, university administrators, and so on. The issue is whether or not they recognize the challenges. After completing the course, they should have a better appreciation of these challenges. [Some of the incidents from the “Professor Murray’s Ethical Dilemmas” could be used with this question.]

Answers to End of Chapter Cases

1.1: The Pillaging of Pensions

Pensions are a timely topic and receiving substantial attention in the media and are viewed as a huge economic and social issue of business and society. Students may not consider the issue of any relevance to them! But, point out the number of persons today with defined benefit pensions (possibly including their parents) versus how many there will be when they retire. The implications are serious for the lifestyle students wish to have in later years.

The main issues involved are the responsibilities of employers and employees, the sustainability of any pension plan, the nature of government involvement, and impact on the lifestyle of retired Canadians. Also, the issue of where the pension plan of workers and retirees rank in line for payouts to creditors in a corporate bankruptcy or restructuring. In 2013, the Supreme Court of Canada ruled that creditors and debtors-in-possession rank before pension plans.

1. How is the integrity of business illustrated, or not illustrated, with pension plans?

Many employees have contributed to pensions for years, are relying on them for retirement income, and expect that their employers will honour the plans. In the past, most were defined benefit plans so the expectations were not unreasonable. With the shift to defined contribution plans, the employee will bear the risk instead of the employer. Also, corporations are not being consistent as CEOs are negotiating very generous plans (which are in effect, defined benefits plans) while those of employees are being reduced.

2. Which approach to ethical thinking would aid in decision making regarding this issue?

Teleological would be the most appropriate as there is concern for the consequences or outcomes of the change. Harms versus benefits would be a good to analyze the consequences. All stakeholders would be considered and a societal perspective is more appropriate.

3. How do the difficulties and changes being experienced by pension plans influence society's attitudes towards business?

There is bound to be resentment toward the corporations involved for the problems with the plans and the generosity of the executive plans. The changes to pension plans will most likely create negative attitudes towards business.

4. What responsibility do corporations have to provide pension plans?

It had become an expected practice or component to the compensation package. But, compensation approaches change. Instead of receiving a fixed salary, compensation could be changed to an incentive system (for example, commission or piece work) or profit-sharing plans are introduced instead of higher salaries. Corporations will structure compensation plans in a manner necessary to attract or obtain the employees needed. If employees cannot be attracted with defined contribution plans, corporations will change the compensation package to adjust for it.

5. What responsibility do employees have to manage their own pension plans?

Some argue that employees should be responsible for their own retirement income, and that by making them responsible for them through defined contribution plans, employees could actually be better off if they managed their funds successfully. Yes, it is logical from an economic perspective. However, many may fail to manage their pension funds well and end up with reduced retirement income. Thus, from a social perspective, it may not be logical.

Recent Development: In 2012, a new form of pension was introduced, the Pooled Registered Pension Plan (PRPP). PRPPs will be defined contribution (DC) pension

plans to which employee and employer contribute a certain amount to your pension each year. But, employer contributions are optional or voluntary. The plan does not guarantee how much will be received at retirement as that depends on the level of income and the performance of the plan.

Once an employer enters into a contract, employees will automatically be enrolled as members unless an employee chooses to opt out. Members' contributions to the pension plan will be made through deductions from their pay.

More information is available at: Financial Consumer Agency of Canada, web site <http://www.fcac-acfc.gc.ca/eng/consumers/lifeevents/retirement/retireincome/prpp-eng.asp>, and Canada Revenue Agency, web site at <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/prpp-rpac/menu-eng.html>.

Additional Information: There is some hypocrisy being demonstrated by CEOs on the issue of pensions. On the one hand, they argue that their corporations cannot afford defined benefits plans for their employees, but they negotiate such plans for themselves. *The Globe and Mail* (Janet McFarland, "How much is too much?" May 14, 2007, B8) identified 25 Canadian CEOs who will retire with annual pensions of over \$1 million and as high as \$3.5 million. The liabilities for these plans ranged from \$6.4 to \$27.4 million. In Fall 2010, the CEO of BP was replaced after the oil spill in the Gulf of Mexico, but he will still receive over \$1 annually in pensions disputed his mishandling of the disaster. What are the ethics and responsibilities involved?

1.2: Detecting Plagiarism and Academic Integrity

1. Academic integrity involves students, faculty members, and the universities. Who is served by the use of detection systems?

Such systems obviously help faculty members identify plagiarism, and it is argued that they assist universities to maintain integrity of their programs. The students who are not plagiarizing presumably are served.

2. What responsibility should professors take to detect plagiarism?

Professors should take at least some responsibility. But, detecting and verifying plagiarism is a time consuming process. Often professors have large classes with hundreds of students and it is not practical to catch all the plagiarism. Furthermore, professors are not always supported in their efforts to detect plagiarism and feel that it is easier just to ignore it (a questionable ethical practice in itself).

3. When should disciplinary action be taken against a student?

It depends. Some argue that students should be given the benefit of the doubt. First offences would have mild disciplinary action. When serious disciplinary action is taken (for example, being thrown out of college), a fair process must be in place to protect the interests of all involved.

4. What should be done about the problem of plagiarism other than using detection systems?

A three step approach is suggested:

- *Educate – make sure students are aware of cheating through plagiarism. They should be aware of this prior to entering college, but apparently some are not. Early in their programs students must be informed of plagiarism issues.*
- *Detect – put systems in place to disclose plagiarism: check early assignments, and revise examination rules and procedures.*
- *Discipline – implement in a fair and consistent manner.*

5. Is cheating in school through plagiarism a predictor of cheating in business careers?

Most likely although there are mixed views on this. Many employers blame universities and colleges for teaching graduates ethics.

6. Which approach to ethical thinking would increase understanding of behaviour regarding plagiarism?

The virtues would be most appropriate as character traits are important to good ethical decision making in this situation. The deontological approach is a possibility as there is an individual focus and rules do exist.

APPENDIX

Ethics: Everybody, Everywhere, Everyday

Discussion questions relating to everyday ethical situations and/or dilemmas:

1. You just bought something expensive that your spouse would consider a waste. Are you ethically obligated to tell your mate about the purchase?
 - (a) Yes
 - (b) No
 - (c) Depends
2. Your boss's secretary is using the office Intranet to sell turkey sub sandwiches for her son's hockey team. Should you:

- (a) Purchase the subs.
 - (b) Decline to purchase as you feel it is a form of soliciting.
 - (c) Mention the practice to your boss and request it be stopped.
3. You just obtained a job as a server in a restaurant. It is illegal to smoke in restaurants, but on your second day you arrive early and see your manager smoking at the bar. What would you do?
- (a) Ignore the situation and say "Hello."
 - (b) Mention the smoking ban in restaurants.
 - (c) Quit the job.
 - (d) Report the manager to a municipal authority.
4. When buying food at a gourmet store, you get \$10 more in change than you're owed. You:
- (a) Give the cashier back the \$10.
 - (b) Pocket the \$10, figuring the store overcharges anyway.
 - (c) Keep the \$10, figuring the store has probably stiffed you in the past.
5. When visiting Hong Kong you see a street vendor selling an electronic iPod for one-tenth of what it is selling for at a store in your hometown. Would you:
- (a) Ignore the vendor.
 - (b) Make the purchase.
 - (c) Report the vendor to the authorities.
6. You are having renovations done to your house. The contractor suggests that he will decrease the price by 10% if you pay in cash. Would you:
- (a) Pay in cash.
 - (b) Say that you would prefer to pay by cheque.
 - (c) Decline the offer.
 - (d) Report the contractor to Revenue Canada.
7. When walking one evening, you notice a couple walking their dogs. You recognize the woman as she is a columnist in the local newspaper. Her dog fouls a neighbour's lawn with excrement which she does not pick up. Would you:
- (a) Mention to the woman that she should pick up the excrement.
 - (b) Tell the neighbour.
 - (c) Ignore the incident.
8. An angry customer demands to speak to your boss. Your boss has told you to lie, and say that he is not in the office. You:

- (a) Lie for the boss.
 - (b) Refer the customer to the boss anyway.
 - (c) Make some other excuse.
- 9. You are a loans' officer in a bank and a customer gives you a pair of top-of-the-line sneakers his athletic company doesn't need. Month later he asks for a lower interest rate on his loan. Would you:
 - (a) Refuse to lower the rate.
 - (b) Lower the rate.
 - (c) Give the shoes back.
- 10. A customer calls you several derogatory racial terms in front of other customers and co-workers because you refuse to take back a product that does not have receipt. Would you:
 - (a) Refer him to your boss.
 - (b) Give him the refund.
 - (c) Stay calm and refuse to give the refund.

Other Questions

- *Question:* There have been many scandals and questionable behaviours that have occurred in recent years on the part of businesspersons and corporations. This has shaken the confidence of Canadians in the business system. What can (or should) businesspersons and corporations do to begin regaining society's trust?
- *Question:* Plagiarism is a major problem at Canadian universities. A national study of plagiarism found one in three undergraduate students admitted plagiarizing at least once in their academic careers. Plagiarism detection services now exist one of which is Turnitin, a commercialized service operated by iParadigms. Twenty-five Canadian universities use the service which searches for plagiarized text from all pages of the publicly accessible Internet, with more than 20 million pages updated daily, from millions of other published works available electronically, and from every student paper ever submitted to Turnitin.

What are the ethical implications for all stakeholders involved with this issue? Identify ethical principles that might be considered to analyze this issue. End your comments with recommendations for the main stakeholders.

- *Question:* The corporation is the institution of a capitalistic economic system through which goods and services are provided. It is criticized constantly and anti-business views usually focus on it even though most economists concede that where it operates, a high level of living is achieved. The film, *The Corporation*, studied in the course, is particularly critical of it. What is the appropriate role of the corporation in a nation's economic system? Is the corporation a person? Does the corporation have too

much power? Does it now dominate the activities of governments? How is the corporation controlled? How does the corporation change? Is the corporation doomed by its success and will it eventually fail as other major institutions have in the past? Please organize your response carefully but not necessarily according to these questions.

- *Question:* Clarence Walton, formerly dean of the College of General Studies at Columbia University and president of the Catholic College of America, makes the following statement on the concept of leadership in the first chapter of his book, *The Moral Manager*:

Leadership, an ill-defined word, comes from understanding and respecting four crucial ideas: equality, justice, truth, and freedom. [page 4]

Do you agree with Professor Walton? Why or why not?

If you agree with Professor Walton, why do almost all programs in business administration spend so much time on accounting, statistics, computers, marketing, production, and finance, and so little time on “equality, justice, truth, and freedom”? If you don’t agree with Professor Walton, what “critical ideas” would you substitute? What is the connection between ethics and leadership? Include comments on how you think “ethics” should be dealt with in a business school.