CHAPTER 2

Being Ethical and Socially Responsible

INSTRUCTOR MANUAL RESOURCES

2.1 A WORD FROM THE AUTHORS

The material on ethics and social responsibility is presented early in the text to underscore the importance of business's role in our society. In this context, we define business ethics and discuss the major factors believed to influence the level of ethical behavior in an organization. We also examine several types of ethical issues.

As in Chapter 1, we turn to American history to trace the evolution of socially responsible business practices. Next, we define and contrast two contemporary views of social responsibility: the economic model and the socioeconomic model. In the process, we present arguments both for and against increased social responsibility in business. We consider social changes in three specific areas: consumerism, employment practices, and the environment. We identify public and private agencies that regulate or monitor business practices in these areas, including the Equal Employment Opportunity Commission and the Environmental Protection Agency. Finally, we outline the steps in the development and implementation of an effective corporate program for social responsibility.

2.2 TRANSITION GUIDE

New in Chapter 2: Being Ethical and Socially Responsible

- A new Inside Business feature describes how Panera cares about its communities by "suggested funding levels" rather than specific prices for its meals.
- New URL information about the student Web site is provided in the first part of the chapter.
- Information has been added about John and Timothy Rigas of Adelphia Communications Corp. and how Adelphia's investors lost more than $60 billion.
- A new Personal Apps describes how business ethics apply to customers, managers, and employees.
- In the "Fairness and Honesty" section, information about how more than 1,500 clients of Anderson's Ark and Associates lost about $31 million has been added.
- The Ethical Challenges and Successful Solutions feature has been deleted.
- The whistle-blowing section has been updated, and the Whistleblower Protection Act of 1989 is now included in the discussion.
- In the "Social Responsibility" section, the General Mills Foundation's philanthropic activities are revised and updated.
- A discussion of IBM's Corporate Service Corps., a "corporate version" of the Peace Corps, is now included.
- A new example of GE's $20 million grant to Milwaukee Public Schools to improve academic achievement is now included.
- Charles Schwab Foundation's philanthropic efforts are updated.
- A new example of how ExxonMobil celebrated 2011 International Women's Day by granting $6 million to support economic opportunities for women around the world has been added.

- A new example of how AT&T responded to the high school drop-out crisis with a $100 million philanthropic program is given.
- The Sustaining the Planet feature about major companies and nonprofit groups has been deleted.
- A new Personal Apps explains that we should keep consumer rights in mind when we shop around for goods and services or have a problem with a purchase.
- A new Ethical Success or Failure? feature reveals how everything we do online is being tracked by business.
- Figure 2.3, "Comparative Income Levels," has been updated to reflect the latest census data available.
- Figure 2.4, "Relative Earnings of Male and Female Workers," has been updated to reflect the latest census data available.
- A new Sustaining the Planet feature describes how Xerox approaches its corporate social responsibility and citizenship by designing waste-free products.
- The Spotlight feature, "Recession and Responsibility," has been deleted.
- British Petroleum's 2012 settlement to pay out $7.8 billion has been added to the discussion of the *Deepwater Horizon* disaster.
- A new Entrepreneurial Success feature describes how growing numbers of young entrepreneurs are starting businesses with the goal of using their skills for a socially responsible purpose.
- The Entrepreneurial Success feature about recycling entrepreneurs has been deleted.
- A new Return to Inside Business featuring Panera Cares is provided at the end of the chapter.
- A new Case 2.2 describes Unilever's plan for green and clean growth.
- The Building Skills for Career Success section contains a new Social Media Exercise.
- The Exploring the Internet feature in Building Skills for Career Success has been deleted.

2.3   QUICK REFERENCE GUIDE

Instructor Resource	Location
Transition Guide	IM, pp. 41–42
Learning Objectives	Textbook, p. 35; IM, p. 44
Brief Chapter Outline	IM, pp. 44–45
Comprehensive Lecture Outline	IM, pp. 45–57
Ethical Success or Failure? *Is Personal Data* Really *Private?*	Textbook, p. 53
At Issue: How should employers deal with proselytizing?	IM, p. 55
Sustaining the Planet *Social Responsibility at Xerox*	Textbook, p. 59
Entrepreneurial Success *Social Entrepreneurs of Tomorrow*	Textbook, p. 61
Inside Business *Panera Cares About Its Communities*	Textbook, p. 36
Return to Inside Business	Textbook, p. 63 Questions and Suggested Answers, IM, p. 58
Marginal Key Terms List	Textbook, p. 64
Review Questions	Textbook, p. 64 Questions and Suggested Answers, IM, pp. 58–61
Discussion Questions	Textbook, p. 65 Questions and Suggested Answers, IM, pp. 61–62
Video Case 2.1 (Scholfield Honda—Going Green with Honda) and Questions	Textbook, p. 65 Questions and Suggested Answers, IM, p. 62
Case 2.2 (Unilever's Plan for Green and Clean Growth) and Questions	Textbook, p. 66 Questions and Suggested Answers, IM, pp. 62–63
Building Skills for Career Success	Textbook, pp. 66–67 Suggested Answers, IM, pp. 63–65
IM Quiz I & Quiz II	IM, pp. 66–68 Answers, IM, p. 69
Classroom Exercises	IM, pp. 69–70

2.4   LEARNING OBJECTIVES

After studying this chapter, students should be able to:

1. Understand what is meant by *business ethics.*

2. Identify the types of ethical concerns that arise in the business world.

3. Discuss the factors that affect the level of ethical behavior in organizations.

4. Explain how ethical decision making can be encouraged.

5. Describe how our current views on the social responsibility of business have evolved.

6. Explain the two views on the social responsibility of business and understand the arguments for and against increased social responsibility.

7. Discuss the factors that led to the consumer movement and list some of its results.

8. Analyze how present employment practices are being used to counteract past abuses.

9. Describe the major types of pollution, their causes, and their cures.

10. Identify the steps a business must take to implement a program of social responsibility.

2.5   BRIEF CHAPTER OUTLINE

  I. Business Ethics Defined

 II. Ethical Issues
    A. Fairness and Honesty
    B. Organizational Relationships
    C. Conflict of Interest
    D. Communications

III. Factors Affecting Ethical Behavior
    A. Individual Factors Affecting Ethics
    B. Social Factors Affecting Ethics
    C. "Opportunity" as a Factor Affecting Ethics

IV. Encouraging Ethical Behavior
    A. Government's Role in Encouraging Ethics
    B. Trade Associations' Role in Encouraging Ethics
    C. Individual Companies' Role in Encouraging Ethics

 V. Social Responsibility

VI. The Evolution of Social Responsibility in Business
    A. Historical Evolution of Business Social Responsibility

   VII. **Two Views of Social Responsibility**
      A. The Economic Model
      B. The Socioeconomic Model
      C. The Pros and Cons of Social Responsibility
         1. Arguments for Increased Social Responsibility
         2. Arguments Against Increased Social Responsibility
VIII. **Consumerism**
      A. The Six Basic Rights of Consumers
         1. The Right to Safety
         2. The Right to Be Informed
         3. The Right to Choose
         4. The Right to Be Heard
         5. Additional Consumer Rights
      B. Major Consumerism Forces

   IX. **Employment Practices**
      A. Affirmative Action Programs
      B. Training Programs for the Hard-Core Unemployed

   X. **Concern for the Environment**
      A. Effects of Environmental Legislation
         1. Water Pollution
         2. Air Pollution
         3. Land Pollution
         4. Noise Pollution
      B. Who Should Pay for a Clean Environment?

   XI. **Implementing a Program of Social Responsibility**
      A. Developing a Program of Social Responsibility
         1. Commitment of Top Executives
         2. Planning
         3. Appointment of a Director
         4. The Social Audit
      B. Funding the Program

2.6   COMPREHENSIVE LECTURE OUTLINE

Most managers today are finding ways of balancing a growing agenda of socially responsible activities with the drive to generate profits.

   I. **BUSINESS ETHICS DEFINED.** *Ethics* is the study of right and wrong and of the morality of choices individuals make. *Business ethics* is the application of moral standards to business situations.

Teaching Tip: *Ask students how they decide what is right and what is wrong. Is there an internal mechanism or process they use or a code? Follow up by asking where they learned their personal code.*

II. **ETHICAL ISSUES.** Businesspeople face ethical issues every day, and some of these issues can be difficult to assess. These issues arise out of a business's relationship with investors, customers, employees, creditors, and competitors.

A. **Fairness and Honesty.** Fairness and honesty in business are important ethical concerns. Businesspeople must obey all laws and regulations as well as refrain from knowingly deceiving, misrepresenting, or intimidating others.

B. **Organizational Relationships.** It may be tempting to place personal welfare above the welfare of others or of the organization. Relationships with customers and co-workers often create ethical problems such as taking credit for others' ideas or work, not meeting one's commitments, and pressuring others to behave unethically.

C. **Conflict of Interest.** Conflict of interest results when a businessperson takes advantage of a situation for his or her own personal interest rather than for the employer's interest.

D. **Communications.** Business communications, especially advertising, can present ethical questions. Advertisers must take precautions to guard against deception.

III. **FACTORS AFFECTING ETHICAL BEHAVIOR.** The factors that affect the level of ethical behavior in organizations are individual, social, and opportunity. (See Figure 2.1.)

A. **Individual Factors Affecting Ethics**

1. Individual Knowledge of an Issue. A decision maker with a greater amount of knowledge regarding a situation may take steps to avoid ethical problems, whereas a less-informed person may take action unknowingly that leads to an ethical quagmire.

2. Personal Values. An individual's moral values and central, value-related attitudes also clearly influence his or her business behavior.

3. Personal Goals. The types of personal goals an individual aspires to and the manner in which these goals are pursued have a significant impact on that individual's behavior in an organization.

B. **Social Factors Affecting Ethics**

1. Cultural Norms. A person's behavior in the workplace, to some degree, is determined by cultural norms, and these social factors vary from one culture to another.

2. Co-workers. The actions and decisions of co-workers constitute another social factor believed to shape a person's sense of business ethics.

3.   Significant Others. The moral values and attitudes of "significant others"—spouses, friends, and relatives—can also affect an employee's perception of what is ethical and unethical behavior in the workplace.
4.   Use of the Internet. Even the Internet presents new challenges for firms whose employees enjoy easy access to sites through convenient high-speed connections at work. An employee's behavior online can be viewed as offensive to co-workers and possibly lead to lawsuits against the firm if employees engage in unethical behavior on controversial Web sites not related to their job.

Teaching Tip: A classroom can be considered a workplace for the time students are there. Ask students to take a minute and write down three examples of ethical behavior in the classroom and three examples of unethical behavior. Beyond the obvious cheating issues, students may mention things such as one student constantly monopolizing the instructor's time, etc.

C.   **"Opportunity" as a Factor Affecting Ethics**
1.   Presence of Opportunity. Opportunity refers to the amount of freedom an organization gives an employee to behave unethically if he or she makes that choice.
2.   Ethical Codes. The existence of an ethical code and the importance management places on this code are other determinants of opportunity.
3.   Enforcement. The degree of enforcement of company policies, procedures, and ethical codes is a major force affecting opportunity.

IV. **ENCOURAGING ETHICAL BEHAVIOR.** Most authorities agree that there is room for improvement in business ethics. A more problematic issue is whether business can be made more ethical in the real world.
A.   **Government's Role in Encouraging Ethics.** The government can establish acceptable levels of behavior by passing more stringent regulations. For example, the *Sarbanes-Oxley Act of 2002* gives those who report corporate misconduct sweeping new legal protection.
B.   **Trade Associations' Role in Encouraging Ethics.** Trade associations can, and often do, provide ethical guidelines for their members to follow.
C.   **Individual Companies' Role in Encouraging Ethics**
1.   Codes of ethics that companies provide to their employees are perhaps the most effective way to encourage ethical behavior. A *code of ethics* is a written guide to acceptable and ethical behavior as defined by an organization that outlines uniform policies, standards, and punishments for violations.
2.   However, codes cannot possibly cover every situation.
a)   Companies must also create an environment in which employees recognize the importance of following the written code.

        b)   Managers must provide direction by fostering communication, actively en-couraging ethical decision making, and training employees to make ethical decisions.

        c)   Assigning an ethics officer who coordinates ethical conduct gives employees someone to go to if they aren't sure of the right thing to do.

        d)   An ethics officer meets with employees and top management to provide ethi-cal advice, establishes and maintains an anonymous confidential service to an-swer questions about ethical issues, and takes action on ethics code violations.

3.   See Figure 2.2 for Texas Instruments' code of ethics.

4.   Unethical practices often become ingrained in an organization.

5.   Employees with high personal ethics may take a controversial step called *whistle-blowing*—informing the press or government officials about unethical practices within one's organization.

        a)   Whistle-blowing can have serious repercussions for an employee.

        b)   The Sarbanes-Oxley Act of 2002 protects whistle-blowers who report corpo-rate misconduct. Any executive who retaliates against a whistle-blower can be held criminally liable and imprisoned for up to 10 years.

        c)   The Whistleblower Protection Act of 1989 protects federal employees who report an agency's misconduct.

6.   When firms set up anonymous ethical hotlines to handle ethically questionable sit-uations, employees may be more likely to engage in whistle-blowing.

7.   When firms create an environment that educates employees and nurtures ethical behavior, whistle-blowing is greatly reduced because fewer ethical problems arise.

8.   See Table 2.1 for general guidelines for making ethical decisions.

V. SOCIAL RESPONSIBILITY

A.   *Social responsibility* is the recognition that business activities have an impact on society and the consideration of that impact in business decision making.

1.   Social responsibility can cost companies a considerable amount of money, but it is also good business.

B.   Examples of Socially Responsible Organizations

1.   Through Young Eagles, underwritten by S. C. Johnson, Phillips Petroleum, Lock-heed Martin, Jaguar, and other corporations, 22,000 volunteer pilots take a half million youngsters on free flights to teach flying basics.

2.   The General Mills Foundation, created in 1954, is one of the largest U.S. company-sponsored foundations and has awarded over $535 million to communities since its creation. Millions of dollars have been donated to Feeding America.

3.   Dell's outreach programs include projects that bring technology to underserved communities around the world. Globally, the Michael and Susan Dell Foundation

has contributed more than $700 million to improve student performance and increase access to education.

4. Improving public schools around the world continues to be IBM's top social priority. Its efforts are focused on preparing the next generation of leaders and workers. IBM launched the World Community Grid in 2004. It combines excess processing power from thousands of computers in a virtual supercomputer that enables researchers to gather and analyze unprecedented quantities of data aimed at advancing research on genomics, diseases, and natural disasters. IBM's Corporate Service Corps. is a group of high performing employees that provide technology-related assistance to foreign governments and communities including economic development, health care, and entrepreneurship.

5. General Electric Company (GE) has a long history of supporting the communities where its employees work and live through its unique combination of resources, equipment, and employee and retiree volunteers. The company devotes its efforts in philanthropy to making communities around the world stronger. For example, the GE Foundation awarded $20 million to Milwaukee Public Schools as part of GE's Developing Futures™ in Education program to help students compete in a global economy.

6. With the help of dedicated Schwab volunteers, the Charles Schwab Foundation provides programs and funding to help adults and children learn the basics of financial literacy. Since 1993, the Schwab Foundation has distributed an average of $4 million a year to 2,300 nonprofit organizations.

7. Improving basic literacy skills in the United States is among the Verizon Foundation's major priorities because of its enormous impact on education, health, and economic development. Recently, Verizon employees and retirees donated more than 608,000 hours of service and, with the Verizon Foundation, contributed over $25 million in combined matching gift funds, making Verizon Volunteers one of the largest corporate volunteer incentive programs in the United States.

8. ExxonMobil's commitment to education spans all levels of achievement. The National Math and Science Initiative and the Mickelson ExxonMobil Teachers Academy are programs emphasizing long-term educational improvement. The company supports new generations pursuing studies and careers in math and science. Recently, ExxonMobil employees and retirees contributed a total of $238 million to communities worldwide. In addition, the company celebrated 2011 International Women's Day by granting $6 million to support economic opportunities for women around the world.

9. AT&T has built a tradition of supporting education, health and human services, the environment, public policy, and the arts in the communities it serves. Since 1984, AT&T has invested more than $600 million in support of education. To respond to

the high school drop-out crisis, AT&T launched Aspire, a $100 million job shad-owing program that has reached more than 23,000 students in over 200 cities.

10. At Merck & Co., Inc., the Patient Assistance Program makes the company's medicines available to low-income Americans and their families at no cost. For over 50 years, Merck has provided its medicines completely free of charge to people in need through this program. Since 1957, the Merck Company Foundation has contributed more than $560 million to develop programs that help improve the health and well-being of people around the world.

These are just a few illustrations from a long list of companies big and small that attempt to behave in socially responsible ways.

VI. THE EVOLUTION OF SOCIAL RESPONSIBILITY IN BUSINESS

A. **Historical Evolution of Business Social Responsibility.** During the first quarter of the twentieth century, businesses were free to operate pretty much as they chose.

1. Working conditions were often deplorable by today's standards.
    a) The average work week exceeded 60 hours in most industries.
    b) There was no minimum-wage law.
    c) There were no employee benefits.
    d) Work areas were crowded and unsafe, and industrial accidents were the rule rather than the exception.

2. During this period, consumers were generally subject to the doctrine of *caveat emptor,* a Latin phrase meaning "let the buyer beware."
    a) Victims of unscrupulous business practices could take legal action, but going to court was very expensive and consumers rarely won their cases.
    b) There were no consumer groups or government agencies to hold sellers responsible for their activities.

3. Prior to the 1930s, government became involved in day-to-day business activities only when there was an obvious abuse of the free-market system and competition was endangered. (See Table 2.2 for a list of early government regulations affecting business.)

B. The collapse of the stock market on October 29, 1929, triggered the Great Depression and years of economic problems for the United States.

1. Public pressure mounted for government to "do something" about the economy and about worsening social conditions.

2. As a result, laws were passed to correct what many viewed as monopolistic abuses of big business, and various social services were provided for individuals.

VII. TWO VIEWS OF SOCIAL RESPONSIBILITY. Government regulation and public awareness are external forces that have increased the social responsibility of business. But

business decisions are made within the firm—and there, social responsibility begins with the attitude of management. There are two models of social responsibility.

A. **The Economic Model.** The *economic model of social responsibility* holds that society will benefit most when business is left alone to produce and market profitable products that society needs.

B. **The Socioeconomic Model.** The *socioeconomic model of social responsibility* holds that business should emphasize not only profits but also the impact of its decisions on society.

C. **The Pros and Cons of Social Responsibility.** The merits of the economic and socioeconomic models have been debated for years. Each side seems to have four arguments.

   1. **Arguments for Increased Social Responsibility.** Proponents of the socioeconomic model offer the following arguments:
      a) Business cannot ignore social issues because business is a part of our society.
      b) Business has the technical, financial, and managerial resources needed to tackle today's complex social issues.
      c) By helping to resolve social issues, business can create a more stable environment for long-term profitability.
      d) Socially responsible decision making by business firms can prevent increased government intervention, which would force businesses to do what they fail to do voluntarily.

   2. **Arguments Against Increased Social Responsibility.** Opponents of the socioeconomic model offer these arguments:
      a) Business managers are responsible primarily to stockholders, so management must be concerned with providing a return on owners' investments.
      b) Corporate time, money, and talent should be used to maximize profits, not to solve society's problems.
      c) Social problems affect society in general, so individual businesses should not be expected to solve these problems.
      d) Social issues are the responsibility of government officials who are elected for that purpose and who are accountable to the voters for their decisions.

   3. Table 2.3 compares the economic and socioeconomic viewpoints in terms of business emphasis.

   4. Today, few firms are either purely economic or purely socioeconomic in outlook; most have chosen some middle ground between the two.
      a) However, our society generally seems to want—and even to expect—some degree of social responsibility from business.
      b) Thus, within this middle ground between the two extremes, businesses are leaning toward the socioeconomic view.

VIII. CONSUMERISM. *Consumerism* consists of all those activities that are undertaken to protect the rights of consumers. The consumer movement issues fall into three categories: environmental protection, product performance and safety, and information disclosure.

    A. **The Six Basic Rights of Consumers.** During the 1960s, President John F. Kennedy declared that the consumer was entitled to a new "bill of rights."

        1. **The Right to Safety.** The right to safety means that products purchased by consumers must be safe for their intended use, include thorough and explicit directions for proper use, and have been tested by the manufacturer to ensure product quality and reliability. American business firms must be concerned about product safety for several reasons.

            a) Federal agencies have the power to force businesses that make or sell defective products to take corrective actions.

            b) Consumers and the government have been winning an increasing number of product-liability lawsuits against sellers of defective products.

            c) The consumer is demanding safe products.

        2. **The Right to Be Informed.** The right to be informed means that consumers must have access to complete information about a product before they buy it. In addition, manufacturers must inform consumers about the potential dangers of using their products.

        3. **The Right to Choose.** The right to choose means that consumers have a choice of products, offered by different manufacturers and sellers, to satisfy a particular need.

            a) The government has encouraged competition through antitrust legislation.

            b) Competition and the resulting freedom of choice provide an additional benefit for consumers by reducing prices.

        4. **The Right to Be Heard.** The right to be heard means that someone will listen and take appropriate action when customers complain.

            a) Today, businesses are listening more attentively, and many larger firms have consumer relations departments that can easily be contacted via toll-free phone numbers.

            b) Most large cities and some states have consumer affairs offices to act on citizens' complaints.

        5. **Additional Consumer Rights.** In 1975, President Ford added the right to consumer education which entitles people to be fully informed about their rights as consumers. In 1994, President Clinton added the sixth right—the right to service, which entitles consumers to convenience, courtesy, and responsiveness from manufacturers and suppliers.

Teaching Tip: Go to the Federal Trade Commission's site and view the rights provided to consumers (http://www.ftc.gov/consumer). Students may want to know about these rights.

B. **Major Consumerism Forces.** Major advances in consumerism have come through federal legislation. Major federal laws that have been passed since 1960 to protect consumer rights are listed and described in Table 2.4.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 was passed by the House of Representatives to protect consumers and investors.

IX. **EMPLOYMENT PRACTICES.** Everyone who works for a living should have the opportunity to land a job for which he or she is qualified and to be rewarded on the basis of ability and performance. Although this is an important issue for society, over the years this opportunity has been denied to members of various minority groups.

1. A *minority* is a racial, religious, political, national, or other group regarded as different from the larger group of which it is a part and that is often singled out for unfavorable treatment.

2. The federal government responded to the outcry of minority groups during the 1960s and 1970s by passing a number of laws forbidding discrimination in the workplace.

a) Now, almost 50 years after passage of the Civil Rights Act of 1964, abuses still exist.

b) There is a disparity among income levels for whites, blacks, and Hispanics. (See Figure 2.3.)

c) Lower incomes and higher unemployment rates also affect Native Americans, handicapped persons, and women.

3. Responsible managers have instituted several programs to counteract the results of discrimination.

A. **Affirmative Action Programs.** An *affirmative action program* is a plan designed to increase the number of minority employees at all levels within an organization.

1. Employers with federal contracts of more than $50,000 per year must have written affirmative action plans. The objective of such programs is to ensure that minorities are represented within the organization in approximately the same proportion as in the surrounding community.

2. Affirmative action programs have been plagued by two problems.

a) The first problem involves quotas. In the beginning, many firms pledged to recruit and hire a certain number of minority members by a specific date. To achieve this goal, they were forced to consider only minority applicants for job openings.

        b)   The second problem is that not all businesspeople are in favor of affirmative action programs, although most such programs have been reasonably successful.

    3.   Congress created (and later strengthened) the *Equal Employment Opportunity Commission (EEOC),* a government agency with the power to investigate complaints of employment discrimination and sue firms that practice it.

    4.   The threat of legal action has persuaded some corporations to amend their hiring and promotional practices, but the discrepancy between men's and women's salaries still exists. (See Figure 2.4.)

B.   **Training Programs for the Hard-Core Unemployed.** Some firms have assumed the task of helping the *hard-core unemployed*: workers with little education or vocational training and a long history of unemployment.

    1.   Such workers require training; this training can be expensive and time consuming.

    2.   To share the costs, business and government have joined together in a number of cooperative programs. The *National Alliance of Business (NAB)* is a joint business-government program to train the hard-core unemployed. The National Alliance's 5,000 members include companies of all sizes and industries as well as educators and community leaders.

X.   **CONCERN FOR THE ENVIRONMENT.** *Pollution* is the contamination of water, air, or land through the actions of people in an industrialized society.

    1.   For several decades, environmentalists have been warning us about the dangers of industrial pollution.

    2.   Unfortunately, business and government leaders either ignored the problem or weren't concerned about it until pollution became a threat to life and health in America.

    3.   Today, Americans expect business and government leaders to take swift action to clean up our environment—and to keep it clean.

A.   **Effects of Environmental Legislation.** As in other areas of concern to our society, legislation and regulations play a crucial role in pollution control. The Environmental Protection Agency (EPA) is the federal agency charged with enforcing laws designed to protect the environment. (See Table 2.5.)

    Some business owners and managers take the position that environmental standards are too strict. Consequently, it has often been necessary for the EPA to take legal action to force firms to install antipollution equipment and clean up waste storage areas. Experience has shown that the combination of environmental legislation, voluntary compliance, and EPA action can succeed in cleaning up the environment and keeping it clean.

At Issue

The United States has been at the forefront in negotiating opportunities and expanding rights for minorities. Recently, much attention has been given to the rights of religious minorities. Employers must permit employees to engage in religious expression, "unless the religious expression would impose an undue hardship on the employer." They are also required to provide a workplace in which religious harassment of employees is not allowed. Undue hardship can be claimed if the accommodation interferes with legitimate business interests. According to the EEOC:

"An employer can show undue hardship if accommodating an employee's religious practices requires more than ordinary administrative costs, diminishes efficiency in other jobs, infringes on other employees' job rights or benefits, impairs workplace safety, causes coworkers to carry the accommodated employee's share of potentially hazardous or burdensome work, or if the proposed accommodation conflicts with another law or regulation."

Workplace proselytizing presents a special challenge to employers: failure to respond to employees' complaints about proselytizing could lead to charges of religious harassment, but requiring a religious employee to cease proselytizing may result in liability for failure to reasonably accommodate the employee's beliefs.

How should employers deal with proselytizing?

For Proselytizing	**Against Proselytizing**
1. Existing laws require "reasonable accommodation." The proselytizing employees could be separated from employees who feel harassed by the practice.	1. Existing law allows for undue hardship for the employer in terms of increased administrative costs, infringement of other employee rights, and diminished efficiency.
2. Employees have certain rights to express their religious views in the workplace, such as the wearing of yarmulkes or the display of a cross in a private office.	2. Title VII of the Civil Rights Act does not permit employees' religious expression that could reasonably be perceived by patrons of the business as an expression of the employer's views.
3. If proselytizing is kept to a minimum and has no impact on coworkers, it could be considered "reasonable accommodation."	3. Title VII permits restriction of religious expression that disrupts operations or is hostile or demeaning to customers or co-workers.

1. **Water Pollution.** The Clean Water Act has been credited with greatly improving the condition of waters in the United States. However, the task of water cleanup has proved to be extremely complicated and costly due to pollution runoff and toxic contamination. Improved water quality is not only necessary, but it is also achievable. Today, acid rain, which results from sulfur emitted by smokestacks in industrialized areas, is destroying many lakes and reservoirs.

2. **Air Pollution.** Aviation emissions are a potentially significant and growing percentage of greenhouse gases that contribute to global warming. Usually, two or three factors combine to form air pollution in any given location.
   a) The first factor is large amounts of carbon monoxide and hydrocarbons emitted by many motor vehicles concentrated in a relatively small area.
   b) The second factor is the smoke and other pollutants emitted by manufacturing facilities.
   c) The third factor is the combination of weather and geography.
   d) Air pollution control efforts are encouraging. The EPA estimates that the Clean Air Act eventually will result in the removal of 56 billion pounds of pollution from the air each year, thus measurably reducing lung disease, cancer, and other serious health problems.

3. **Land Pollution.** Today, land pollution is a serious problem.
   a) The fundamental issues are basically twofold.
      (1) The first issue is how to restore damaged or contaminated land at a reasonable cost.
      (2) The second issue is how to protect unpolluted land from future damage.
   b) The land pollution problem has been worsening over the past few years because modern technology has continued to produce more and more chemical and radioactive wastes.
   c) To help pay for the enormous costs of cleaning up land polluted with chemicals, Congress created a $1.6 billion Superfund in 1980.

4. **Noise Pollution.** The Noise Control Act of 1972 established noise emission standards for aircraft and airports, railroads, and interstate motor carriers. Noise levels can be reduced by two methods.
   a) The source of noise pollution can be isolated as much as possible, and engineers can modify machinery and equipment to reduce noise levels.
   b) If it is impossible to reduce industrial noise to acceptable levels, workers should be required to wear earplugs to guard against permanent hearing damage.

B. **Who Should Pay for a Clean Environment?** Government and business are spending billions of dollars annually to reduce pollution.

1.   Current estimates of the annual costs of improving the environment are $45 billion to control air pollution, $33 billion to control water pollution, and $12 billion to treat hazardous wastes.

2.   Much of the money required to purify the environment is supposed to come from already depressed industries.

3.   The big question is: "Who will pay for the environmental cleanup?"

    a)   Business leaders believe tax money should be used to clean up the environment.

    b)   Environmentalists believe that the cost of proper treatment and disposal of industrial wastes is an expense of doing business and therefore the responsibility of the manufacturer.

    c)   In either case, consumers will probably pay a large part of the cost either in the form of taxes or through higher prices.

Teaching Tip: Bring in three to five products from home. Write down the approximate prices. Tell students how much each cost, and then ask how much more they would be willing to pay in order for these products to be "environmentally friendly." Products might include an apple or other fruit that was grown with pesticides, a package of non-biodegradable garbage bags, and so forth.

XI. **IMPLEMENTING A PROGRAM OF SOCIAL RESPONSIBILITY.** A firm's decision to be socially responsible is a step in the right direction—but only a first step. The firm must then develop and implement a tangible program to reach this goal.

A. **Developing a Program of Social Responsibility.** The following steps are required to implement a social responsibility program.

1.   **Commitment of Top Executives.** Without the support of top executives, any program will soon falter and become ineffective.

2.   **Planning.** A committee of managers should be appointed to plan the program.

3.   **Appointment of a Director.** A top-level executive should be chosen to direct the organization's activities in implementing the plan.

4.   **The Social Audit.** The director of the program should prepare a social audit for the firm at specified intervals. A *social audit* is a comprehensive report of what an organization has done, and is doing, with regard to social issues that affect it.

B. **Funding the Program.** Like any other program, a program to improve social responsibility must be funded. Funding can come from three sources.

1.   Management can pass the cost on to consumers in the form of higher prices.

2.   The corporation may be forced to absorb the cost of the program if, for example, the competitive situation does not permit a price increase.

3.   The federal government may pay for all or part of the cost through special tax reductions or other incentives.

2.7   TEXTBOOK ANSWER KEYS

2.7a   Return to Inside Business

Panera Cares

1. **How does Panera Cares fit into the socioeconomic model of social responsibility?**

    Panera Cares is a good example of the socioeconomic model at work because, as the text explains, each of these cafés must be self-supporting and generate a small profit to be invested in other community programs, such as job training. Panera is going beyond its basic economic responsibility to owners and other stakeholders. It is also inviting the public to "do the right thing," as the CEO says, by contributing more than the cost of each meal so that people with little or no money can enjoy a good meal.

2. **What ethical issues are raised by the idea of expecting some people to pay more for a Panera meal so that others can pay less?**

    Students are likely to identify fairness as one ethical issue involved in the Panera Cares "suggested funding" levels. Is it fair to leave the decision about how much to donate up to individuals? Some people who can afford to pay may take advantage of this situation by donating very little or nothing. This unfairly shifts the burden to others who choose to donate the suggested amount or much more. Is it even fair for Panera to expect customers to share the cost when the company could make a philanthropic contribution to cover free meals for people in need? Students may mention other ethical issues, as well.

2.7b   Review Questions

1. **Why might an individual with high ethical standards act less ethically in business than in his or her personal life?**

    With more and more examples of businesspeople behaving unethically, the cause of unethical behavior is one that psychologists and economists are examining. Pressure from low or declining profits can cause a person with normally high ethical standards to behave less ethically in business. But financial incentives are not the only reason. People make unethical decisions to support colleagues or friends with whom they are doing business.

2. **How would an organizational code of ethics help to ensure ethical business behavior?**

    An organizational code of ethics would help a firm establish a guide to acceptable and ethical behavior for employees to follow. It shows the company's commitment to ethical behavior and sets a standard for all employees in the firm. Often, a company's code of ethics communicates the method for reporting unethical or illegal actions.

3. **How and why did the American business environment change after the Great Depression?**

    The Great Depression and its national consequences showed both the American people and the government that a more centralized control over certain kinds of businesses and business

activities would be required in the future to prevent our economy from falling victim to the forces that caused the Depression.

4. **What are the major differences between the economic model of social responsibility and the socioeconomic model?**

   The economic model of social responsibility holds that society will benefit most when business is left alone to produce and market profitable goods. The socioeconomic model places emphasis not only on profits but also on the impact of business decisions on society. (See Table 2.3.)

5. **What are the arguments for and against increasing the social responsibility of business?**

   The arguments for increasing the social responsibility of business are the following:

   a. Business cannot ignore social issues because it is a part of our society.

   b. Business has the technical, financial, and managerial resources that are needed to tackle today's complex social issues.

   c. By helping resolve social issues, business can create a more stable environment for long-term profitability.

   d. Socially responsible decision making by business firms can prevent increased government intervention.

   The arguments against increasing social responsibility are the following:

   a. Business managers are primarily responsible to stockholders, so management must be concerned with providing a return on owners' investments.

   b. Corporate time, money, and talent should be used to maximize profits, not to solve society's problems.

   c. Because social problems affect society in general, business should not be expected to solve these problems.

   d. Social issues are the responsibility of officials who are elected for that purpose and who are accountable to the voters for their decisions.

6. **Describe and give an example of each of the six basic rights of consumers.**

   The right to safety. The products consumers purchase must be safe for their intended use, include thorough and explicit directions for proper use, and have been tested by the manufacturer to ensure product quality and reliability. Consumer safety would be an especially important consideration in the manufacture and sale of a product such as a hedge trimmer.

   The right to be informed. Consumers should be given complete information about a product, such as ingredients in food or how to take care of a specific garment. Producers should also give information about the potential dangers of using their products, such as a reaction to drugs.

   The right to choose. Because of competition, consumers can choose the particular product they want among several similar products, such as automobiles or men's shirts.

   The right to be heard. Citizens can complain through the Better Business Bureau or can often call a company directly on a toll-free number.

The right to consumer education. People are entitled to be fully informed about their rights as consumers. An example would be the disclosure notices provided by banks or credit card companies.

The right to service. Consumers have the right to convenience, courtesy, and responsiveness from manufacturers and sellers of consumer products, which is one of the reasons that companies put 800 numbers on their products for customers to contact them.

7. **There are more women than men in the United States. Why, then, are women considered a minority with regard to employment?**

   Women are a minority, not because they are fewer in number, but because there are fewer of them employed than men and fewer in positions of true responsibility. Women also fit the definition of a minority because they have been singled out as a group for unfavorable treatment.

8. **What is the goal of affirmative action programs? How is this goal achieved?**

   The goal of affirmative action programs is to increase the number of minority employees at all levels within an organization. The Equal Employment Opportunity Commission (EEOC) was created by Congress to investigate complaints of discrimination and to sue firms that practice discrimination in employment.

9. **What is the primary function of the Equal Employment Opportunity Commission?**

   The primary function of the EEOC is to investigate complaints of discrimination in employment.

10. **How do businesses contribute to each of the four forms of pollution? How can they avoid polluting the environment?**

    Businesses contribute to water pollution by dumping wastes into the water; to air pollution by admitting hazardous chemicals into the air from motor vehicles and smokestacks; to land pollution by burying harmful wastes and chemicals; and to noise pollution by allowing excessive noise caused by traffic, aircraft, and machinery. Water pollution can be reduced by building larger and more efficient sewage treatment plants and removing sulfur emissions, a cause of acid rain. Pollution control devices on vehicles and smokestacks help reduce air pollution. The EPA has been working to clean up the land. Suits against companies that dump could help fund the cleanup operation. Noise levels can be reduced by isolating the source of noise away from the population and by modifying machinery and equipment to reduce noise levels.

11. **Our environment can be cleaned up and kept clean. Why haven't we simply done so?**

    The environment hasn't been cleaned up and kept clean because of the costs involved and the problems associated with deciding who will pay for the cleanup.

12. **Describe the steps involved in developing a social responsibility program within a large corporation.**

    The steps are as follows:

    a. *Commitment of top executives.* Top executives should develop a policy statement that outlines key areas of concern.

b. *Planning.* Managers should form a plan that deals with each of the issues described in the policy statement.

c. *Appointment of a director.* A top-level executive should be appointed to direct the organization's activities in implementing the policy.

d. *The social audit.* The social audit is a comprehensive report of what an organization has done, and is doing, with regard to social issues that affect it.

2.7c Discussion Questions

1. **When a company acts in an ethically questionable manner, what types of problems are caused for the organization and its customers?**

   When an organization engages in ethically questionable behavior, it hurts the integrity of the organization and damages the company's image held by customers and potential customers. Customers lose trust in this type of organization and sometimes seek other sellers. An organization sometimes has to spend considerable resources to rebuild relationships with customers when the firm's integrity is questioned.

2. **How can an employee take an ethical stand regarding a business decision when his or her superior already has taken a different position?**

   By whistle-blowing, the employee can inform the press or government officials of his or her firm's unethical practices. (You may want to discuss the repercussions of whistle-blowing with students.)

3. **Overall, would it be more profitable for a business to follow the economic model or the socioeconomic model of social responsibility?**

   In the short run, the economic model would be more profitable because the focus is on profits, not on social responsibility. The socioeconomic model would be more profitable in the long run. It is a proactive stance for companies and one that many firms are embracing. Consumers have come to expect this of companies with which they do business. Money spent on acts of social responsibility would be considered business expenses.

4. **Why should business take on the task of training the hard-core unemployed?**

   This task is another aspect of social responsibility. When these people receive training, they become more employable. As a result, they can earn a wage and then return it to business through their spending for consumer goods. Overall, such training programs improve the economy, which in turn helps the firms that sponsor the programs.

5. **To what extent should the blame for vehicular air pollution be shared by manufacturers, consumers, and government?**

   Manufacturers should help in producing and/or using pollution control devices for cars and trucks. Consumers should buy and use products that limit air pollution. The government should set guidelines for the production and use of such products.

6. **Why is there so much government regulation involving social responsibility issues? Should there be less?**

    There is so much government regulation because unethical businesses continue to ignore their social responsibility. There should not be less government regulation until businesses are ready to police themselves.

2.7d   Comments on Video Case 2.1

Suggestions for using this video case are provided in the Pride/Hughes/Kapoor Video Guide.

Scholfield Honda—Going Green with Honda

1. **How would you rate Scholfield Honda's sense of social responsibility? Does the dealership meet all the criteria for a socially responsible company?**

    Scholfield Honda's sense of social responsibility is open to discussion. On the one hand, it can be argued that by adding the Civic GX to its line and its gift to Greensburg, Kansas, the dealership was being socially responsible. On the other hand, it could be argued that the dealership's actions were minimal and its motive was simply to promote the dealership by associating itself with a popular environmental issue. Whatever its motives, Scholfield's actions appear to meet the criteria to be considered a socially responsible company.

2. **What is Scholfield Honda's primary ethical responsibility in situations where a proposed green initiative is cost-prohibitive or even detrimental to the company's bottom line?**

    Scholfield Honda's primary ethical responsibility is to provide a fair return to its investors. If a green initiative is cost-prohibitive or detrimental to the bottom line, it should be avoided or alternative green plans should be pursued that are not detrimental to the company.

3. **Should the government regulate companies' claims that their products are green? Should official classifications for environmental friendliness be defined?**

    In some product categories such as automobiles, the government already regulates green standards and claims that particular products are green. However, in most cases, consumers are the best judge of which products meet their green standards. If products don't meet consumer standards, they simply won't purchase them. Official classifications for environmental friendliness already exist in areas such as auto emissions, airplane noise, and asbestos usage, to name a few. Again, for most product categories, it would appear that consumers are better at defining environmental friendliness than the government is.

2.7e   Comments on Case 2.2

Unilever's Plan for Green and Clean Growth

1. **Every year, Unilever posts on its web site and distributes to the media a report detailing its progress toward the 2020 sustainability goals. Why would the public be interested in such a report?**

    One reason that customers, suppliers, employees, and others would be interested in Unilever's sustainability reports is that they want to know what kind of company they're doing business

with. Many customers are concerned about the environment. By demonstrating its ongoing commitment to sustainability, Unilever shows that it is doing its part to save the planet and gives customers another reason to remain loyal. Employees who hold similar views would be interested in finding out what their employer is doing. Competitors may also be taking a close look to see how they might differentiate themselves by taking action in other areas of social responsibility.

2. **Is Unilever applying the economic or the socioeconomic model of social responsibility? How do you know?**

Based on the CEO's comments about "advocating a business model that gives to the environment and society," Unilever appears to be closer to the socioeconomic model of social responsibility. The company is focused on profitability through sustainability, as the case indicates. Programs that save energy and water not only help the environment, but they also save Unilever money and therefore help its profitability. The Cool Farm Tool is available without charge to suppliers and other companies. This is another way Unilever is helping society as a whole to live greener.

3. **Do you agree with Unilever's approach of promoting its Lifebuoy soap brand in programs to teach consumers about hand-washing? Explain your answer.**

Students who agree with Unilever promoting Lifebuoy in hand-washing lessons may say that the socioeconomic model emphasizes profits as well as social responsibility. By linking the Lifebuoy brand to programs that keep people healthy and safe, Unilever is making a business decision that benefits shareholders and enables the company to do the right thing for society at large. Lifebuoy soap isn't required for hand-washing—any brand will do, and people are free to choose what they wish. Students who disagree may say that Unilever shouldn't put its brand into the program because any soap can be used to clean hands, not just Lifebuoy. If Unilever wants to educate people about hand-washing as part of its social responsibility, it can do that without turning the program into a commercial for its brand.

2.7f   Building Skills for Career Success

1. **Social Media Exercise**

   In 2010, Pepsi decided to develop a new social media–based project, called Pepsi Refresh Project, aimed at Millennials and allowing consumers to post ideas for improving their communities. This replaced the $20 million they spent on Super Bowl advertising. The project received more than 57 million votes. However, the general consensus was this was not a successful program for Pepsi. Using the Internet for research, answer the following questions:

   1. **Why do you think the Pepsi Refresh Project was not as successful as the company hoped?**

      Although the project was a success on the social media side, that success did not translate into sales. Pepsi lost market share, possibly because the money designated for advertising was put into this social media campaign.

2. **Do you think this is a good example of corporate social responsibility (CSR)? Why or why not?**

   The idea of distributing $20 million in $5,000 to $250,000 increments for projects that are determined to be "worthy" is a good example of social responsibility; however, the way this project was structured turned out to be filled with technical issues and privacy problems. Pepsi's plan is to engage its customers by having them vote for their favorite project. Money was given to the projects that received the most votes. It is a different model than previously used and didn't engage stakeholders at the level of other CSR models.

3. **How does this CSR example for Pepsi compare with that of its main rival Coca-Cola (see http://www.thecoca-colacompany.com/citizenship/index.html)?**

   Coca-Cola's responsibility to the environment, community, and employeesis is clearly stated on its Web site. Its commitment to sustainability is also stated in several places on the Web site. On the other hand, Pepsi's level of responsibility is not as clearly seen nor stated.

2. **Journaling for Success**

   Assume that you are an accountant at ABC Corporation, where you question the company's accounting practices. What legal and managerial changes would you suggest to prevent the use of accounting tricks to manipulate corporate earnings?

   Student answers may include the following:

   a. I would recommend immediate implementation of an ethics code spelling out which accounting practices are acceptable and which are not.

   b. I would suggest a policy that requires all accounting methods, whether internal or conducted by external auditors, to be vetted against Sarbanes-Oxley rules.

   c. I would recommend that the company hire someone at the corporate vice presidential level with direct responsibility for Sarbanes-Oxley enforcement. He or she should report directly to the board of directors.

   d. Anyone found to be in direct violation of the Sarbanes-Oxley Act should immediately be terminated.

   e. The company should institute a method by which employees can report ethical lapses without fear of reprisal. An anonymous hotline is one possible example.

1. **Assume that your manager refuses to incorporate any of your suggestions. Would you blow the whistle? Why or why not?**

   Student responses to this question will vary. Some may say that they will get another job first, and then anonymously report their previous employer. Others will feel that the risks associated with whistle-blowing are too great, and some will take the idealistic route of avoiding an Enron situation.

2. Suppose that you blow the whistle and get fired. Which law might protect your rights, and how would you proceed to protect yourself?

The law that protects whistle-blowers is the Sarbanes-Oxley Act of 2002. Any executive who retaliates against a whistle-blower can be held criminally liable and imprisoned for up to 10 years.

Some students will indicate that the first move they would make would be to hire a lawyer experienced in dealing with whistle-blowing situations. They may suggest that going to the media would help. In actuality, however, it might be better for their future employment prospects if they settle out of court. Some companies might be leery of someone who invites media attention.

3. Developing Critical-Thinking Skills

The answers will vary from students of different ethnic backgrounds, social status, workplace experiences, and ages. Some students will feel very strongly about what they believe to be right and wrong and how they would conduct themselves in the workplace. Other students will endure the stress associated with working on projects they feel are morally wrong just to keep their job.

Two important points in this exercise are (1) to get students to discuss why they believe certain things are either right or wrong and (2) for all students to understand other people's positions regardless of whether or not they agree. As the world becomes the workplace, more Americans will be faced with examining their positions on what they believe to be right and wrong and/or finding employment with a company that fits within their ethical and moral beliefs.

Business ethics begins at the top of an organization. It creates the corporate culture. Strong leadership is needed to raise the level of ethics and morality. Leadership must set an example and encourage everyone in the organization to exercise integrity.

4. Building Team Skills

Assign several students the responsibility of finding a code of ethics from a business firm. Before class, prepare copies for everyone in the class. In class, have each group work with a different code of ethics in completing the exercise. Ask a member of each group to report the results before the class.

5. Researching Different Careers

Who is to say what is right and what is wrong? This question is debated every day in the newspapers and courtrooms across the country. Things that influence our values include religious teachings, parental guidance, television, cultural traditions and values, peers' values and behaviors, major events in the world, and social acceptance of behavior over time.

Each student's code of ethics will be a little different. It should include (1) the student's responsibilities to life, work, friends, family, etc. (How will the student treat others?) and (2) the student's expectations from life, work, friends, family, etc. (How does the student expect to be treated by others?).

2.8   QUIZZES I AND II

Quiz I

True-False Questions

Select the correct answer.

1. T   F   Social responsibility is the recognition that business activities have an impact on society and the consideration of that impact in business decisions.

2. T   F   The economic model of social responsibility places emphasis not only on profits but also on the impact of business decisions on society.

3. T   F   Consumerism consists of all those activities that are undertaken to protect the rights of consumers in their dealings with business.

4. T   F   Six basic rights of consumers are the right to safety, the right to be informed, the right to choose, the right to be heard, the right to consumer education, and the right to service.

5. T   F   Whistle-blowing is an attempt by business to stop employees from exposing their unethical business behavior.

Multiple-Choice Questions

Circle the letter before the most accurate answer.

6. One factor that influences ethical decision making is the _____ factor.
    a. business
    b. consumer
    c. marketing
    d. opportunity
    e. internal

7. A plan designed to increase the number of minority employees at all levels within an organization is called
    a. the hard-core unemployed.
    b. an affirmative action program.
    c. the Equal Employment Opportunity Commission.
    d. the socioeconomic initiative.
    e. the right to work.

8. Initiating a social responsibility program takes
    a. the commitment of top executives.
    b. the commitment of middle managers.
    c. the commitment of employees.
    d. no commitment.
    e. the commitment of competitors.

9. Funding for a program of social responsibility can come from
    a. the employees in the corporation.
    b. volunteer efforts of the American public.
    c. corporations that absorb the costs as a business expense.
    d. governmental sources.
    e. environmental groups.

10. A guide to acceptable and ethical behavior is known as
    a. a code of ethics.
    b. business ethics.
    c. a social audit.
    d. consumerism.
    e. an ethical behavior guide.

Quiz II

True-False Questions

Select the correct answer.

1. T F A policy of considering only nonminority applicants for job openings is called reverse discrimination.

2. T F Today, few firms are either purely economic or purely socioeconomic in their outlook.

3. T F Working conditions in the early twentieth century were not much different from those that exist today, except for the more advanced technology involved.

4. T F Government intervention into business increased after the Great Depression of the 1930s.

5. T F An argument for increased social responsibility is the fact that, because business managers are primarily responsible to business owners, they must be concerned with providing a return on the owners' investments.

Multiple-Choice Questions

Circle the letter before the most accurate answer.

6. A group of people who have been singled out for unfavorable treatment on the basis of race, religion, politics, or national origin is called
    a. an affirmative action group.
    b. the hard-core unemployed.
    c. a minority.
    d. the economically disadvantaged.
    e. a majority.

7. Pollution in our country is made up of
   a. air pollution.
   b. land pollution.
   c. noise pollution.
   d. water pollution.
   e. all of the above.

8. A government agency with the power to investigate complaints of discrimination and to sue firms that practice discrimination is the
   a. National Alliance of Business.
   b. Equal Employment Opportunity Commission.
   c. NAACP.
   d. Federal Trade Commission.
   e. Interstate Commerce Commission.

9. Acid rain causes _____ pollution.
   a. air
   b. noise
   c. water
   d. land
   e. practically no

10. An employee's decision to inform the press or government officials of his or her firm's unethical practices is referred to as
    a. whistle-blowing.
    b. the corporate code of ethics.
    c. business ethics.
    d. the grapevine.
    e. tattling.

2.9   ANSWER KEY FOR QUIZZES I AND II

Quiz I

True-False   **Multiple-Choice**

1. T   6. d
2. F   7. b
3. T   8. a
4. T   9. c
5. F   10. a

Quiz II

True-False   **Multiple-Choice**

1. F   6. c
2. T   7. e
3. F   8. b
4. T   9. c
5. F   10. a

2.10   CLASSROOM EXERCISES

2.10a   Homework Activities

- **Article Report.**

  Have students bring in an article that shows an example of a company or executive that has operated in a particularly ethical or socially responsible way or a particularly unethical way. You may further ask them to locate the company's code of ethics (if it has one).

- **Corporate Code of Conduct.**

  Ask students to use the Internet to research several actual corporate codes of conduct and make a list of similarities and differences. This can be followed up with an in-class group activity where students compare their research and determine what common themes and ideas are likely to be reflected in most corporate codes of ethics.

- **Social Responsibility to Which Groups?**

  Have students choose a corporation with whose products they are familiar. Nike and Coca-Cola might be examples. The homework assignment is to write a one-page paper prioritizing constituencies to whom they have social responsibility. A typical progression might include stockholders, employees, the city of Atlanta (for Coca-Cola), etc.

2.10b   Classroom Activities

- **"To Take or Not to Take the Gift" Exercise.**

   Have students consider the scenario in the "To Take or Not to Take the Gift" handout. The objective is to help students identify ethical issues and understand the importance of codes of ethics. This is best done as an individual exercise, although it would be useful to follow with a group discussion afterward. Instructor notes follow the exercise.

- **"To Surf or Not to Surf" Exercise.**

   This exercise can be used in a number of places in this chapter. It relates best to Learning Objectives 3 and 4, however.

   Instruct students to form groups of three or four. They will need approximately 20 minutes to develop an Internet usage policy for Pupster Dog Fashions, a fictional company. Upon completion, each group should share their usage policy with the class.

   If desire and time permit, you may instruct them to go to the Web and benchmark similar policies for other companies. One example you will find on the Web includes advice from Microsoft about planning Web access policy (http://technet.microsoft.com/en-us/library/cc995204.aspx).

   This exercise may also be used as a homework project if desired. A sample policy for Pupster is provided.

- **Puffery Exercise.**

   Have students form groups of three to five. Using the Puffery quiz as a handout, ask them to evaluate the advertising statements on the quiz as to whether (a) they are puffery or a real claim and (b) whether or not they are deceptive. This exercise helps reinforce the consumer right of being informed. The handout gives the student the information they need to make their judgments. Puffery is sometimes a matter of opinion rather than firm law, so this exercise should stimulate significant discussion. Once they have the handouts, the exercise should take approximately 10 to 15 minutes. Sample answers are provided.

- **Sustainability Exercise.**

   This exercise can be done totally as an in-class activity or assigned as homework. The students are asked to think about sustainability and how it fits into their individual lives. The information on the provided link can be given to students ahead of time. As they review the list, they may be surprised at how many of these practices they already follow. If desired, the list could also form the basis for journal activity throughout the semester. If done entirely in class, the activity should take approximately 20 minutes prior to discussion.

2.10c   Exercise Handouts Follow on Next Pages

"TO TAKE OR NOT TO TAKE THE GIFT"

You are the distribution manager for a major consumer products firm. Your company is about to release a very large shipment of products. As manager, you must choose among several transportation companies that are competing for your business. Sales representatives from railroad and trucking companies often make calls to your office. Your decision will mean the loss or gain of millions of dollars of revenue for these companies.

1. Which of the following gifts would you be willing to accept from sales representatives of the transportation companies?
   - Pen and pencil set (with the company's logo)
   - Five-year supply of scratch pads (with logo)
   - Dinner for four at an exclusive restaurant
   - Season tickets to a professional football game
   - Fruits and nuts delivered to you each Christmas
   - Three-day, all-expense-paid golfing vacation
   - $500 in cash
   - Bag of groceries delivered to your home each week
   - Lavish trip to the Cayman Islands

2. What role would top management, superiors, and peers play in your decision on accepting these gifts?

3. If you had the chance to take some of the gifts on the list without anyone knowing, would you?

4. Would a code of ethics or an ethical corporate culture help you in making your decision?

"To Take or Not to Take the Gift" Instructor Notes

Question 1. You might ask students which of the listed gifts "crosses the line" with regard to their perception of what is ethical. Students might change their minds about acceptable gifts if asked, "What if everyone did it?" A distribution manager who accepts a gift of any magnitude may make a decision that is not necessarily in the best interest of the company (e.g., selecting a higher-cost trucking company because it provides box seats to ball games).

Question 2. You might ask students if they know of instances in their own jobs where organizational relationships have had a negative or positive effect on ethical decision making. For instance, how does seeing a boss file inaccurate expense reports (to cover unauthorized expenditures) affect others in the firm? How might people react when peers take supplies or merchandise home?

Question 3. The role of opportunity may determine whether a person will behave ethically. You might also want to ask, "What if I gave an exam and left the classroom for the hour—would you be more likely to cheat?" Opportunity may be a better predictor of unethical activities than personal values.

Question 4. An effective code of ethics should let employees know both what is expected of them and the punishment for violating the rules. For instance, a firm may have a policy against accepting any gifts valued over $25. The penalty for accepting anything over that amount may be dismissal. However, simply having a policy or code will be ineffective if top management and superiors do not support and enforce it.

"TO SURF OR NOT TO SURF"

A recent survey by America Online and Salary.com found that the average worker admits to wasting 2.09 hours per eight-hour workday and that 44.7 percent of those surveyed reported Internet surfing as their No. 1 distraction at work.

Most reasonable persons would agree that some use of the Internet for personal reasons is acceptable as long as it does not interfere with overall work performance. Clearly, it is up to the employer to determine what type of computer and Internet use is acceptable and to educate its employees as to those guidelines and restrictions.

"Pupster Dog Fashions" is both a retail and an online operation, employing four in-store sales persons, eight customer-service and order-processing employees, a retail manager, an online manager, and two people in packing and shipping. Pupster's hours are 10 a.m. to 6 p.m. Monday through Saturday for the retail store, and 8 a.m. to 8 p.m. for the online operation. All employees work a standard eight-hour day with an hour for lunch and two 15-minute breaks.

In your groups, develop a policy and set of guidelines for computer/Internet usage for the Pupster Dog Fashions company. You have 20 minutes. Be as specific as possible in developing your guidelines.

Your policy should contain the following elements:

- **Statement of Policy (guiding principles)**
- **Specific Guidelines**
- **Monitoring Policy**
- **Penalties for Violations**

"To Surf or Not to Surf" Instructor Notes

These guidelines can be covered verbally or handed out to the students before they begin.

Statement of Policy: This should be a general set of guiding principles and attitudes that lead to specific guidelines. On one extreme, some may feel that all paid time and equipment should be used for work-related matters only. On the other, some may feel that as long as the work gets done, the employees of Pupster should be allowed to use the Internet whenever they choose.

Specific Guidelines: The guidelines should specifically outline the policy. For example, they might include:

- Whether or not employees are allowed to browse the Web for personal use
- When they can do so
- Whether employees are allowed to play games on the computer and when
- What Web activity must be avoided such as:
    - downloading offensive content
    - threatening behavior or e-mails
    - illegal activities

Monitoring Policy: The monitoring policy should clearly spell out how much privacy employees can expect and how Web use will be monitored.

Penalties for Violations: This section should clearly delineate what action will be taken if the guidelines are violated. For example, playing solitaire at the wrong time might elicit a warning, while sending a threatening e-mail might be cause for dismissal.

Sample: Pupster Computer and Internet Usage Policy

Statement of Policy:

Pupster provides and maintains computer and electronic communications systems and Internet access. As a condition of providing these systems, the company places certain restrictions on their usage.

Specific Guidelines:

The use of computer systems and Internet access is restricted to the conduct of company business during working hours.

Working hours are defined as all time for which the employee is being paid. They do not include time prior to the start or end of the business day.

- Retail Store: 10 a.m. to 6 p.m. Monday through Saturday
- Online Operations: 8 a.m. to 8 p.m. Monday through Saturday

Employees are allowed to use the computer for personal use during lunch and other official breaks with the exceptions noted below.

Pupster computers and Internet access are not to be used for the following:

- Commercial use—Any form of commercial use of the Internet is prohibited.
- Copyright violations—Any use of the Internet that violates copyright laws is prohibited.
- Solicitation—The purchase or sale of personal items through advertising on the Internet is prohibited.
- Harassment—The use of the Internet to harass employees, vendors, customers, and others is prohibited.
- Confidential information—The release of confidential information regarding Pupster business is prohibited.
- The accessing, viewing, downloading, or any other method for retrieving offensive entertainment on pornographic sites is prohibited.

Monitoring Policy:

All systems, equipment, and data remain at all times the property of the company. Accordingly, all messages and files created, sent, received, or stored within such systems remain the property of the company. The company reserves the right to retrieve and review any message or file composed, sent, received, or stored.

Penalties for Violations:

Violations of this policy will result in discipline up to and including termination.

PUFFERY EXERCISE

The Federal Trade Commission (FTC) regulates claims made by advertisers. For example, if a pizza company claims it always delivers hot pizza in 30 minutes, it must be prepared to substantiate that claim with documentation.

On the other hand, there is "puffery," exaggerated claims that reasonable people do not believe to be real product qualities and which by their very nature are incapable of being proven true or false. Puffery, according to the FTC, therefore cannot be deceptive. Everyone knows that Wonder Bread is not a wonder, and that Folgers in your cup is probably not the best thing about waking up!

In your groups, decide if the following advertising statements are real claims or puffery, using the reasonable person rule. Also, indicate whether or not you believe deception could occur. Be prepared to defend your point of view.

Charmin Toilet Tissue claims to be "the original soft and comfy clean."

Puffery?   Yes   No
Deceptive?   Yes   No

Apple's iPod Web site claims that "the world's best music player keeps getting better."

Puffery?   Yes   No
Deceptive?   Yes   No

Quaker Life Vanilla Yogurt Crunch says "The great taste of yogurt just made Life a little sweeter."

Puffery?   Yes   No
Deceptive?   Yes   No

JCPenney's ad for its Web site jcp.com says "It's all inside."

Puffery?   Yes   No
Deceptive?   Yes   No

Hyundai says that "If greatness is a destination, we're on the road to it."

Puffery?   Yes   No
Deceptive?   Yes   No

Puffery Exercise Answers

By its very nature, puffery is ambiguous and arguable. With product parity in the marketplace, advertisers try to create an illusion of superiority.

Charmin Toilet Tissue claims to be "the original soft and comfy clean."

Puffery?   Yes No   Deceptive?   Yes No

Strictly speaking, Charmin probably was not the original toilet tissue used by folks. So to that extent it is deceptive. This falls under the "so what" claim category. OK, it may be the original—but, so what? How does that help the consumer?

Apple's iPod Web site claims that "the world's best music player keeps getting better."

Puffery?   Yes No   Deceptive?   Yes No

Better and best are the bread and butter of the puffery-generating ad writers. Best, in particular, certainly cannot be proven. And is it getting better? Who knows? In that sense, it is certainly deceptive.

Quaker Life Vanilla Yogurt Crunch says "The great taste of yogurt just made Life a little sweeter."

Puffery?   Yes No   Deceptive?   Yes No

What's great taste? To whom? Who cares?

JCPenney's ad for its Web site jcp.com says "It's all inside."

Puffery?   Yes No   Deceptive?   Yes No

What is "it"? One thing we know for sure is that whatever it is, it isn't all inside. And inside where?

Hyundai says that "If greatness is a destination, we're on the road to it."

Puffery?   Yes No   Deceptive?   Yes No

This one is arguable. It clearly implies that the product is being improved. But . . . what is greatness? How do we know if we get there? As long as improvements are made to the car, strictly speaking, it is not deceptive.

Sustainability Exercise

Sustainability is defined as: Living and working in ways that do not jeopardize our current and future social, environmental, and economic resources.

Your instructor has provided you with a list of 100 Ways You Can Improve the Environment (http://livepaths.brinkster.net/livepaths/library/100ways.pdf).

Your instructor will divide you into groups. Instructions for this activity are:

1. Read the list of 100 sustainable activities. Mark those in which you currently engage (5 minutes).
2. Compare your list of activities to your classmates' lists. See if there are any common activities (5 minutes).
3. Now, as a group, choose five additional activities on the list of 100 you believe you all could implement. Discuss why and how those activities would fit into your lives. Be as specific as possible as to why some activities might be easier to implement than others (10–15 minutes).
4. Choose a spokesperson to share both your list of current activities and the five new activities you will implement.

Sustainability Exercise Instructor Notes

This activity can be easily adapted to your specific needs. For example, you could give students the link to the 100 Ways You Can Improve the Environment list or print it out and assign the individual part of the activity (Step 1) as homework.

You could also use the list as a contest, with total points awarded based on current student activity.

You could assign it as a longer-term project of self-evaluation, with students keeping a journal of sustainable activities.