

# **Business Ethics & Corporate Social Responsibility (MAS 263)**

**Dr. Henry Mensah**

**[hkmensah@knust.edu.gh](mailto:hkmensah@knust.edu.gh) / [henbil25@yahoo.com](mailto:henbil25@yahoo.com)**

**Dept. of Human Resource & Org. Dev't  
KNUST School of Business**



## **Lecture One**

# **Introduction: Business and Society**

# Learning Outcomes

1. Characterize **business and society** and their **interrelationships**.
2. Describe **pluralism** and identify its **attributes, strengths, and weaknesses**.
3. Clarify how a **pluralistic society** becomes a **special-interest society**.
4. Identify, discuss, and illustrate the **factors** leading up to **business criticism**.
5. Pinpoint the major **criticisms of business** and characterize **business's general response**.
6. Describe the major themes of the book: managerial approach, ethics, sustainability and stakeholder management.

# Unit Outline

- Business and Society
- Society as the Macro-environment
- A Pluralistic Society
- A Special-Interest Society
- Business Criticism and Corporate Response
- Focus of the course
- Structure of the course
- Summary
- Key Terms

# Business and Society

## Business -

- the collection of private, commercially oriented organizations ranging in size from one-person proprietorships to corporate giants.

## Society -

- a community, a nation, or a broad group of people with common traditions, values, institutions, and collective activities and interests.

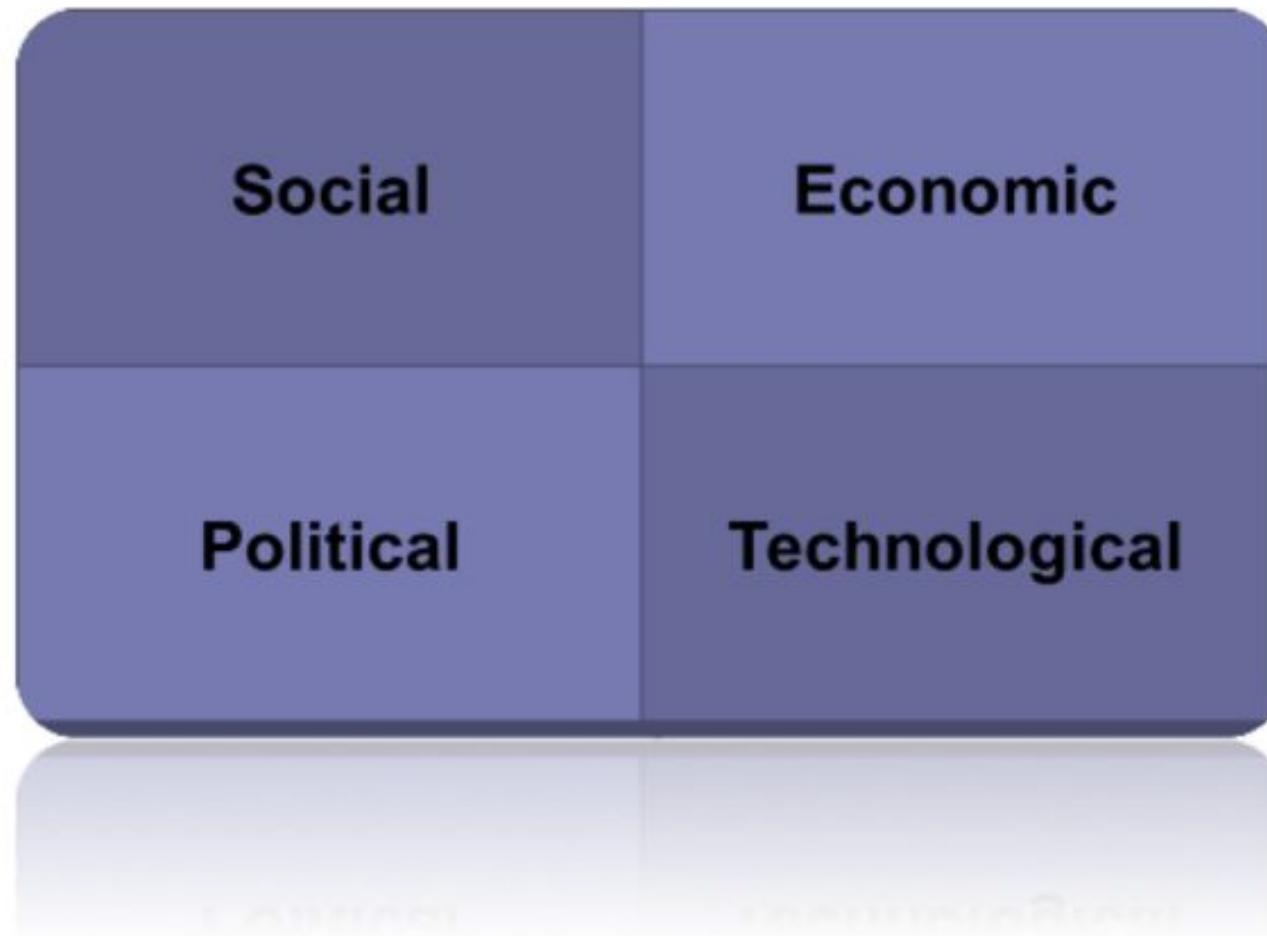
## Macroenvironment -

- the total environment outside the firm, the comprehensive societal context in which the organization resides.

## Society

- is the macroenvironment in which businesses operate.

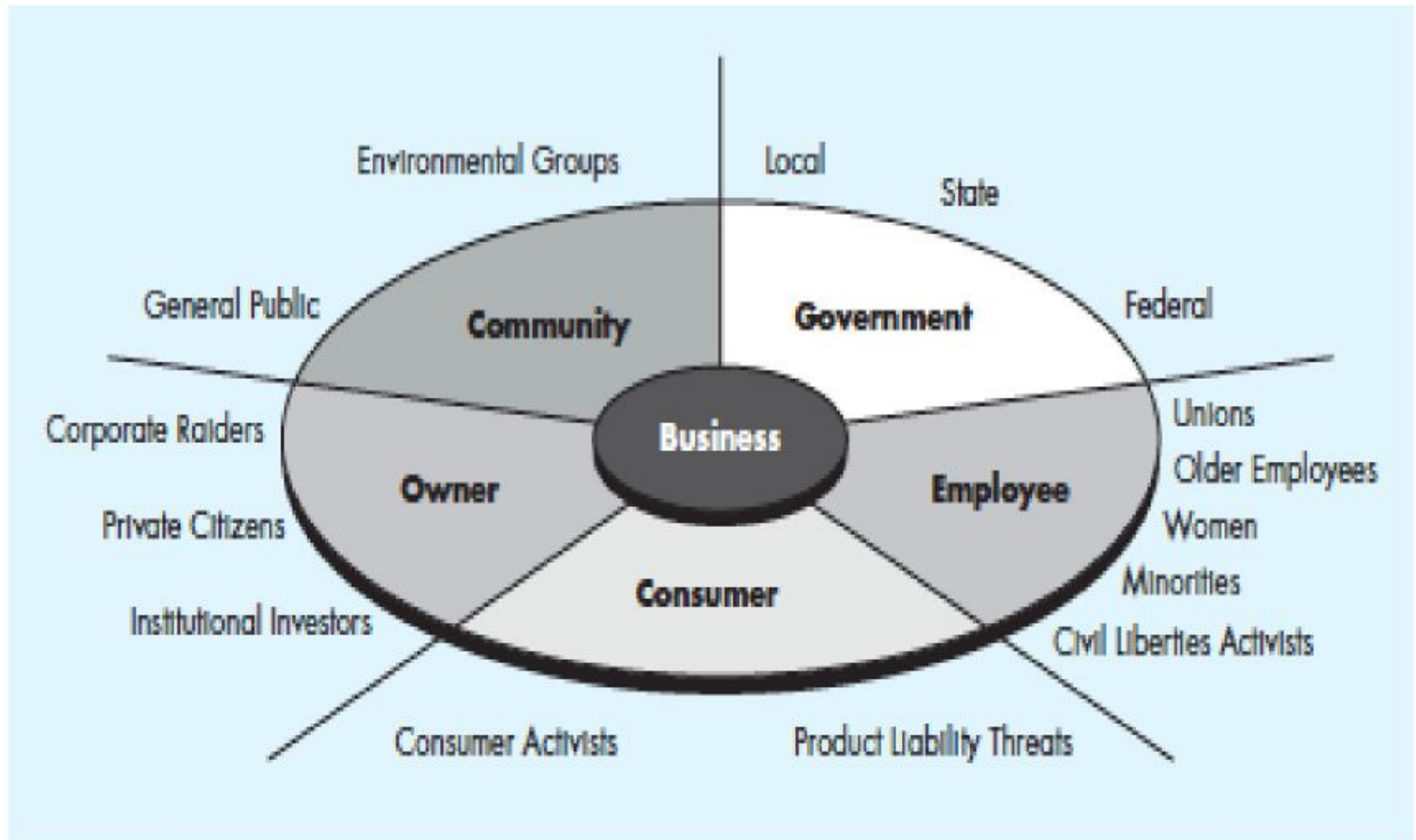
# Conceptualizing the Macroenvironment



# Segments of the Macroenvironment

<i>Segment</i>	<i>Focus</i>
<b>Social</b>	<b>Demographics, lifestyles, social values</b>
<b>Economic</b>	<b>Nature and direction of the economy in which business operates</b>
<b>Political</b>	<b>Processes for passing of laws and election of officials. Interactions between firms, politics, and government</b>
<b>Technological</b>	<b>Changes in technological advancements taking place in society</b>

# The Environment of Business





# A Pluralistic Society -

- ✓ Pluralism refers to a diffusion of power among society's many groups and organizations.
- ✓ A pluralistic society is one in which there is wide decentralization and diversity of power concentration.
- ✓ Power is dispersed among many groups and people.
- ✓ Power is not in the hands of any single institution (such as business, government, labor, or the military) or a small number of groups.

# A Pluralistic Society - Strengths

- Prevents power from being concentrated in the hands of a few.
- Maximizes freedom of expression and action, and strikes a balance between monism, on the one hand, and anarchy on the other.
- Creates a widely diversified set of loyalties to many organizations, and minimizes the danger that a leader of any one organization will be left uncontrolled.
- Provides a built-in set of checks and balances, in that groups can exert power over one another with no single organization (business or government) dominating and becoming overly influential.

# A Pluralistic Society - Weakness

- ✓ it creates an environment in which diverse institutions pursue their own self-interests, with the result that there is no unified direction to bring together individual pursuits.
- ✓ Another weakness is that groups and institutions proliferate to the extent that their goals tend to overlap, thus causing confusion as to which organizations best serve which functions.

# Special Interest Groups -

- A pluralistic society often becomes a special-interest society.
- Extreme pluralism leads characterized by tens of thousands of special-interest groups, each pursuing its own focused agenda.
- Interest groups representing all sectors of society—consumers, employees, investors, communities, the natural environment, government, and business itself.

# The Character of Special Interest Groups

- Make life more complex for business and government.
- Can number in the tens of thousands in some societies.
- Pursue their own focused agendas.
- Are active, intense, diverse and focused.
- Can attract a significant following.
- Often work at cross purposes, with no unified goals.
- *A special-interest society is pluralism taken to the extreme.*

# Factors in the Social Environment

## Affluence and Education -

- Create higher expectations of major institutions.
- Growing public awareness through television, movies, and the Internet.

## The Revolution of rising expectations -

creates a **social problem**, a gap between societal expectations for social conditions and social realities. This can lead to:

- Entitlement mentality
- Rights movement
- Victimization philosophy

# Business Criticism: Use and Abuse of Power

## Business Power -

- the ability or capacity to produce an effect or to bring influence to bear on a situation or people

## Iron Law of Responsibility -

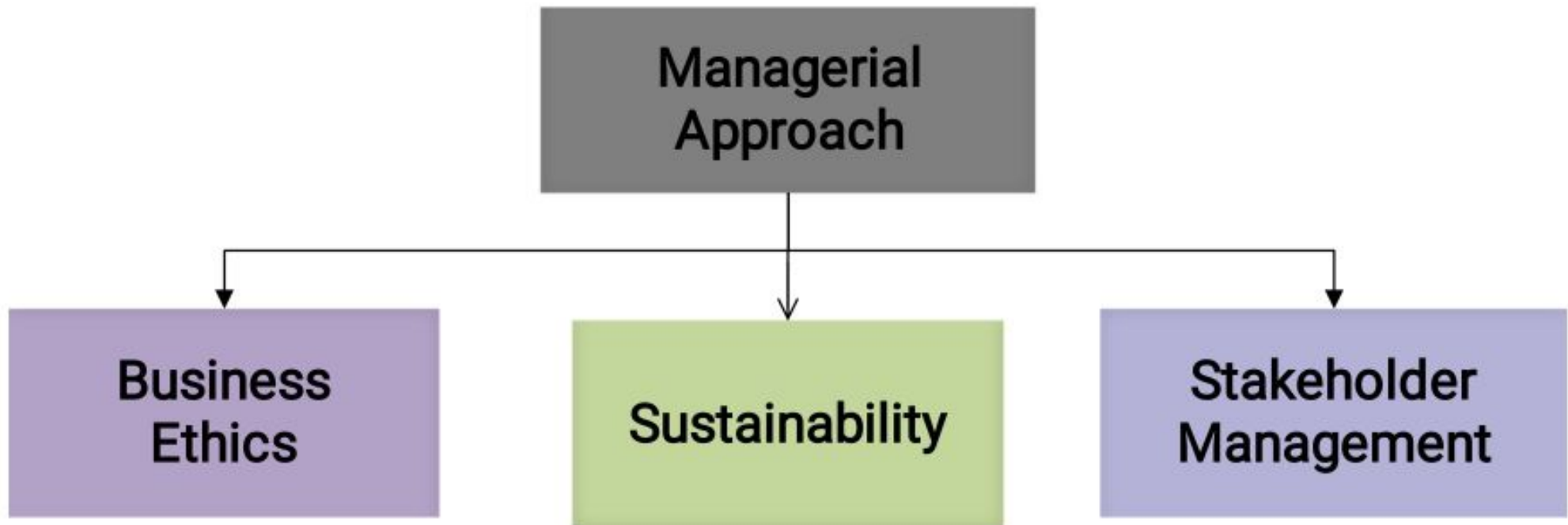
- In the long run, those who do not use power in a manner society considers responsible will tend to lose it

# Elements in the Social Contract





# Focus of the Course



# A Managerial Approach

- Managers are practical, and have begun to deal with social and ethical concerns in ways similar to those they use to manage traditional business functions such as marketing, finance, operations, & risk management.
- As a result, managers have been able to convert seemingly unmanageable concerns into ones that can be dealt with in a balanced and impartial fashion.
- At the same time, managers have had to integrate traditional economic and financial considerations with ethical and social considerations.

# Urgent versus Enduring Issues

## Short-Term -

- Issues or crises arise on the spur of the moment and management must formulate quick responses.

## Long-Term -

- Issues or problems are a long-term concern and management must develop a thoughtful organizational response.

# A Business Ethics Theme

## Ethical questions -

- inevitably and continually come into play during business operations.

## Ethics -

- refers to issues of right, wrong, fairness, and justice.

## Business Ethics -

- focuses on ethical issues that arise in the commercial realm.

## Ethical questions -

- permeate business's activities as it attempts to interact with major stakeholder groups.

# A Sustainability Theme

**Sustainability** - Has become one of businesses' most pressing mandates.

**Sustainable development** - is a pattern of resource use that aims to meet current needs while preserving the environment for future generations.

**Sustainability** embraces criteria which are:

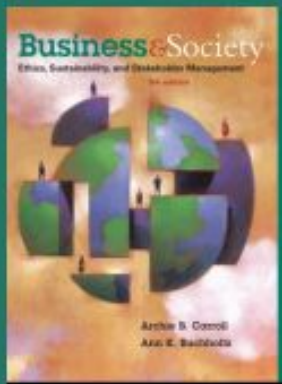
- Environmental
- Economic
- Social

**Sustainability** concerns the ability of businesses to survive and thrive over the long term.

# Stakeholder Management Theme

## Stakeholders -

- Individuals or groups with which business interacts and who have a vested interest in the firm.
- In this text, we consider:
  - **External stakeholders**, such as government, consumers, the natural environment, community members
  - **Internal stakeholders**, such as employees, those involved in corporate governance, and others.



# Key Terms

- affluence
- business
- business ethics
- business power
- economic environment
- education
- entitlement mentality
- ethics
- Iron Law of Responsibility
- macroenvironment
- managerial approach
- pluralism
- political environment
- revolution of rising expectations
- rights movement
- social contract
- social environment
- social problem
- society
- special-interest society
- stakeholder management
- stakeholders
- sustainability
- sustainable development
- technological environment
- victimization philosophy

# **Unit 2**

## **BUSINESS EHTICS**

**Dr. Henry Mensah**

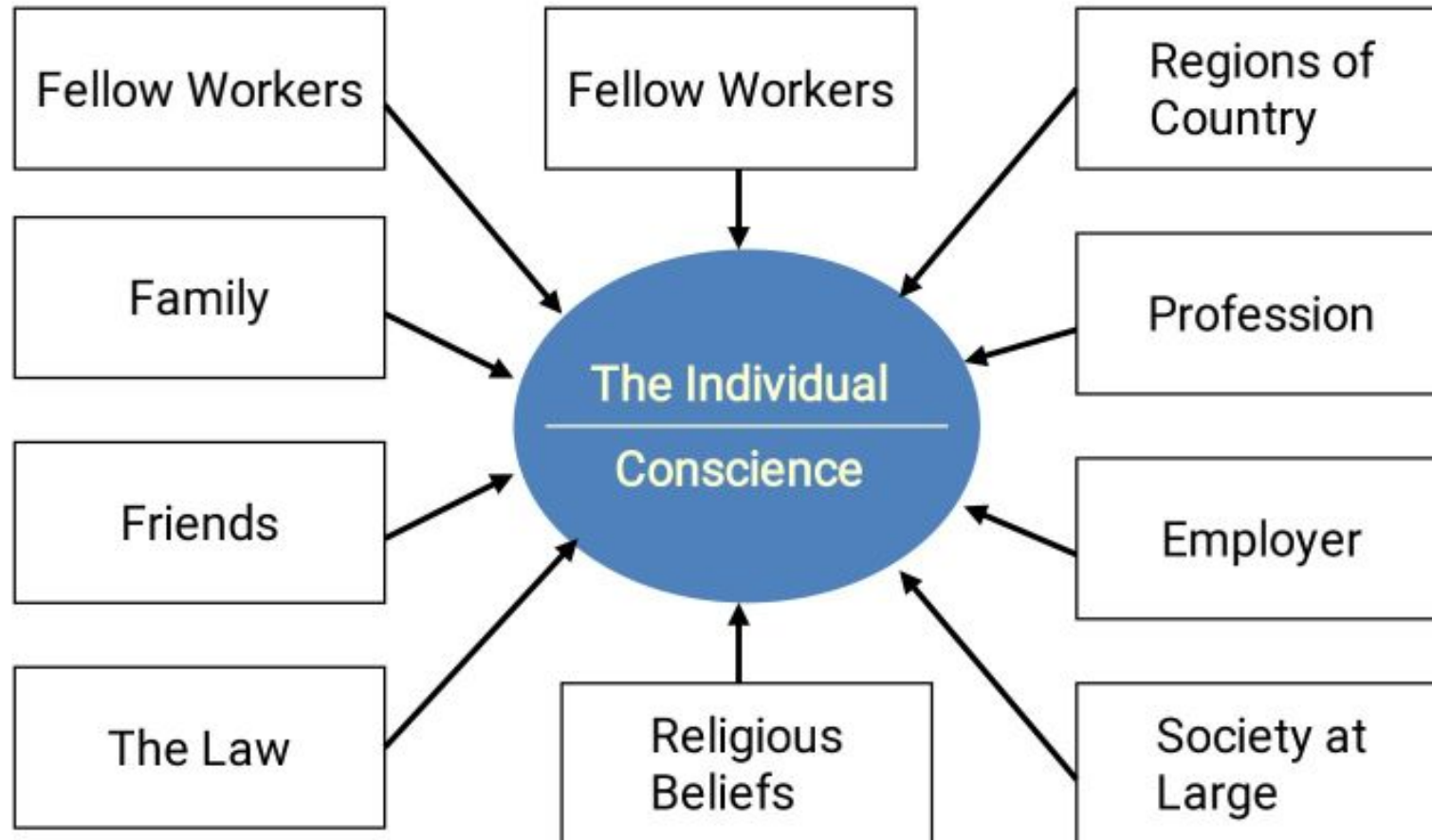


# Defining Ethics

*Ethics is the .....*

- Science of Moral
- Branch philosophy which is concerned with human character and conduct
- A code of moral standards of conduct for what is “good” and “right” as opposed to what is “bad” or “wrong”.

# Sources of Ethical Norms



# Morality

- Morality is used in connection with the practical application of theories, principles, and standards of human conduct to particular acts or situations.
- E.g. when we apply a particular ethical theory to an action and we try to judge whether that action is right or wrong on the basis of that ethical theory.

# The Moral Point of View

- Business decisions can be made from the moral, economic, and legal points of view.
- An integration of the three is most appropriate
- The moral point of view uses reason or logic, not just feelings or conventional views, to justify decisions
- QUESTION?????????
  - Would you feel comfortable if colleagues, friends, and family knew about your decision, or if it were reported on TV or in the newspapers??????

# Four morally relevant reasons for acting in a way

1. Considering the benefit and harm to all of the different parties involved.
2. Respecting the essential humanity of others.
3. Treating others with equality, fairness, and justice.
4. Caring for other persons in ways that nurture relationships.

# Ethics and the Law

- It is not enough to say that our conduct is lawful because ethics go beyond the legal code.
- Following ethical standard is not merely the same as obeying the law.
- This may be considered the minimum acceptable standard to which companies must adhere.

# Two Schools of Thought; Ethics & the Law

- Law and ethics govern two different realms.
  - Law prevails in public life, whereas ethics is a private matter (personal conduct)
  - Law embodies the ethics of business: Ethical rules that apply to business have been enacted by legislators into laws

# Why the Law is Not Enough

- Ethical and legal aspects of a situation need to be considered in decision making.
- Ethics applies not only to public matters but also shapes the law.
- Although much that is unethical in business is also illegal, the law cannot be a complete guide to ethical business practice for many reasons



# Why the Law is Not Enough

- The law is:
  - Inappropriate for regulating certain aspects of business activity (*Certain behavior is immoral but not illegal*)
  - Slow to develop in new areas of concern and often unsettled (*the wheel of law grind slowly but biz decision are quick*)
  - Employs moral concepts that are not precisely defined (*how do we measure good faith, reasonableness etc...basis of morality*)

# Ethics and Culture

- Cultural Relativism
  - Suggest that there is no one right way to behave; cultural context determines ethical behavior



# *Ethics and Culture*

## *Excerpt From Universal Declaration of Human Rights*

### *United Nations*

- Article 1—All human beings are born free and equal in dignity and right
- Article 18—Everyone has the right to freedom of thought, conscience, and religion
- Article 19—Everyone has the right to freedom of opinion and expression
- Article 23—Everyone has the right to work, to free choice of employment, to just and favorable conditions of work
- Article 26—Everyone has the right to education

# Business Ethics

- What is right or wrong in the workplace and doing what's right
  - this is in regard to effects of products/ services and in relationships with stakeholders.
- involves applying general ethical principles and standards to business activities, behavior and decisions
- ***Business actions*** are ***judged***
  - By general ethical standards of society
  - Not by more permissive standards

# *Two Areas of Business Ethics*



- **Managerial mischief:**  
includes "illegal, unethical, or questionable practices of individual managers or organizations, as well as the causes of such behaviors and remedies to eradicate them

- **Moral mazes**

includes the numerous ethical problems that managers must deal with on a daily basis, such as potential conflicts of interest, wrongful use of resources, mismanagement of contracts and agreements



# *Ensuring a Strong Commitment to Business Ethics in Multinational Companies*

- *Three schools of thought* about the extent to which *ethical standards apply across countries* and cultures exist:
  - Ethical Universalism
  - Ethical Relativism
  - Integrative Social Contracts Theory



# Concept of Ethical Universalism

- According to the *school of ethical universalism* . . .
  - Same standards of what is right and what is wrong are *universal* and transcend most cultures, societies, and religions
  - *Universal agreement on basic moral standards* allows a multinational company to develop a code of ethics that is *applied evenly across its worldwide operations*

# Concept of Ethical Relativism

- According to the *school of ethical relativism . . .*
  - *What is ethical or unethical* must be judged in light of *local moral standards* and can *vary from one country to another*
- Some Companies code of conduct based upon the principle of ethical relativism *assume that local morality is an adequate guide for ethical behavior*





# Drawbacks of Ethical Relativism

- The *ethical relativism rule* of “when in Rome, do as the Romans do” presents *problems*
  - It is *ethically dangerous* for company personnel to assume that local ethical standards are an adequate guide to ethical behavior
    - » *What if local standards condone kickbacks and bribery?*
    - » *What if local standards blink at environmental degradation?*



# Integrative Social Contracts Theory

- According to the *integrative social contracts theory*, the ethical standards a company should try to uphold are governed by both
  1. *A limited number of universal ethical principles* that put ethical boundaries on actions and behavior in all situations
  - and*
  2. The circumstances of local cultures, traditions, and values *that further prescribe* what constitutes ethically permissible behavior and what does not

# Ethics and the Role of Managers



- Ethical dilemmas: A problem or issue demanding competing decision or choice all of which are unethical although beneficial
- Ethical dilemmas for top managers are due to conflicts between three main roles.
  - Managers as economic actors
  - Managers as company leaders
  - Managers as community leaders

# Ethical Leadership

- Managers must provide a *good role model* by:
  - Being ethical and honest at all times.
  - Telling the truth; don't hide or manipulate information.
  - Admitting failure and not trying to cover it up.
  - Communicating shared ethical values to employees through symbols, stories, and slogans.
  - Rewarding employees who behave ethically and punish those who do not.
  - Protecting employees (**whistleblowers**) who bring to light unethical behaviors or raise ethical issues.

# What is Whistle Blowing?

- Whistle-Blowing
  - The voluntary release of information by a member or former member of an organization
    - Evidence of illegal and/or immoral conduct in the organization
    - outside the normal channels of communication
    - Conduct in the organization that is not in the public interest

# *Some key highlights of the definition*

- A whistle-blower is a member or former member of an organization and not an outsider.
- The information that is revealed by the whistle-blower is non-public information and not already known facts.
- The information concerns some significant misconduct by the organization or some of its members.

## *key highlights cont.....*

- The information is revealed outside of the normal channels of corporate communication within an organization.
- The information is revealed voluntarily and not by a legal mandate.
- The information is revealed as a moral protest in order to correct some perceived wrong.

# The Loyal Agent Argument

- The Loyal Agent Argument is
  - An argument against the right of an employee to blow the whistle because
    - An employee is a legal agent of an employer
      - The main obligation of an agent is to act in the interest of the principal
      - whistle-blower might appear to be a disloyal agent, the obligations of an agent's loyalty has limits.



# Exit, Voice, and Loyalty

- In Albert O. Hirschman's book *Exit, Voice, and Loyalty*, he states
  - Members of organizations can respond to dissatisfaction by
    - Leaving the organization
    - Speaking up and making the dissatisfaction known in the hope of bringing about change

# The Arguments against Whistle-Blower Protection

- Whistle-blowing might be used by employees to:
  - Protest company decisions or to get back at their employers
  - Cover up their own incompetence or inadequate performance

# The Arguments against Whistle-Blower Protection

- Legislation protecting whistle-blowers
  - Would encroach on the right of employers to conduct business as they see fit
    - Would add another layer of regulation to the existing legal restraints on business,
      - Making it more difficult for managers to run a company efficiently

# The Arguments for Whistle-Blower Protection

- If whistle-blowers come forward
  - Dangers to the public will be brought to light
- We have a moral right to the freedom of speech and should be protected.

# *Whistleblowers cont'*

- Barriers to whistleblowing include:
  - Strict chain of command
  - Strong work group identities
  - Ambiguous priorities
- Organizational methods for overcoming whistleblowing barriers:
  - Ethics staff units who serve as ethics advocates
  - Moral quality circles

# Factors influencing ethical managerial behavior —the person, organization, and environment.



# Three Models of Moral Management

- How managers act and communicate as role models
  - Immoral manager
  - Amoral manager
  - Moral manager
- Ethics mindfulness
  - Enriched ethical awareness that affects behavior

# *The Moralist View cont....*

- There are 3 types of moralist – Immoral, Moral & Amoral Biz

## **Immoral Management -**

- An approach **devoid of ethical principles** and an active opposition to what is ethical.
- The operating strategy of immoral management is focused on exploiting opportunities for corporate or personal gain.



# *The Moralist View cont....*

## **Moral Management -**

- Conforms to **highest standards of ethical behavior** or professional standards of conduct.

## **Amoral Management –**

- Indifferent between two above
- Accepts the ethical prescription but sees it as irrelevant to business
- Set their own rules of the game
- ethical conduct in business is merely strategic behavior within the rules that government has set
- Always have strategic intent to reap profit in the long run

**FIGURE 7-10** Three Approaches to Management Ethics

		Immoral Management	Amoral Management	Moral Management
<b>Organizational Characteristics</b>	Ethical Norms	<p>Management decisions, actions, and behavior imply a positive and active opposition to what is moral (ethical).</p> <p>Decisions are discordant with accepted ethical principles.</p> <p>An active negation of what is moral is implied.</p>	<p>Management is neither moral nor immoral, but decisions lie outside the sphere to which moral judgments apply.</p> <p>Management activity is outside or beyond the moral order of a particular code.</p> <p>May imply a lack of ethical perception and moral awareness.</p>	<p>Management activity conforms to a standard of ethical, or right, behavior.</p> <p>Conforms to accepted professional standards of conduct.</p> <p>Ethical leadership is commonplace on the part of management.</p>
	Motives	<p>Selfish. Management cares only about its or the company's gains.</p>	<p>Well-intentioned but selfish in the sense that impact on others is not considered.</p>	<p>Good. Management wants to succeed but only within the confines of sound ethical precepts (fairness, justice, due process).</p>
	Goals	<p>Profitability and organizational success at any price.</p>	<p>Profitability. Other goals are not considered.</p>	<p>Profitability within the confines of legal obedience and ethical standards.</p>
	Orientation Toward Law	<p>Legal standards are barriers that management must overcome to accomplish what it wants.</p>	<p>Law is the ethical guide, preferably the letter of the law. The central question is what we can do legally.</p>	<p>Obedience toward letter and spirit of the law. Law is a minimal ethical behavior. Prefer to operate well above what law mandates.</p>
	Strategy	<p>Exploit opportunities for corporate gain. Cut corners when it appears useful.</p>	<p>Give managers free rein. Personal ethics may apply but only if managers choose. Respond to legal mandates if caught and required to do so.</p>	<p>Live by sound ethical standards. Assume leadership position when ethical dilemmas arise. Enlightened self-interest.</p>

Source: Archie B. Carroll, "In Search of the Moral Manager," *Business Horizons* (March/April 1987), 8. Copyright © 1987 by the Foundation for the School of Business at Indiana University. Used with permission.

# **Corporate Social Responsibility (MAS 263)**

**Dr. Henry Mensah**

**Dept. of Human Resource & Org. Dev't  
KNUST School of Business**

# **Unit Three**

## **Theories of Ethics**

# Two set of theories

## - Teleological theories

- Teleological theories hold that the rightness of actions is determined by
  - The amount of good consequences they produce
- Actions are justified on teleological theories by
  - Virtue of the end they achieve
  - Utilitarianism

# Two set of theories

## - Deontological theories

- Deontological theories hold that
  - We have a duty to perform certain acts because
    - Of the nature of these actions and the rules from which they follow
    - Not because of the benefit to ourselves or others
    - Egalitarianism

# Theories

- Utilitarianism
- Egalitarianism
- Libertarianism
- Perfectionism (Virtue)
- Kantian ethics

# Questions on ethics

- What is the good life that man should live?
- What acts are right and which are wrong?
- What is the basis for judging one act as **“RIGHT”** and the others as **“WRONG”**



# UTILITARIANISM

- Basic value is pleasure/happiness
- Maximising greatest 'utility' for greatest number'
- To maximize net happiness for all in the long run.
- Utilitarianism has two principles:
  - Promote the greatest happiness for the greatest number of people; and
  - Each person counts one and only one in calculating the maximum amount of happiness.

# Reality Check!!!!

Suppose that Jack is in the hospital for routine tests, and there are people there who need vital organs right away. A doctor has the opportunity to kill Jack and make his death look natural. It would maximize happiness to cut Jack up and give his heart to one patient, his liver to another, his kidneys to still others, and so on. (We are supposing that the organs are good matches, and the other patients will die if they don't get them).

*Utilitarianism seems to imply that the doctor should kill Jack for his organs. But that would be morally wrong*

# The Principle of Utility

- Classical utilitarianism states an action is right if and only if
  - It produces the greatest balance of pleasure over pain for everyone
- The four theses of utilitarianism are:
  - Consequentialism, hedonism, maximalism, and universalism

# Act and Rule Utilitarianism

- Act-Utilitarianism states an action is right if and only if it
  - Produces the greatest balance of pleasure over pain for everyone
- Is a simpler theory and provides an easily understood decision procedure.

Consider these.....Consequences of

- telling the truth/lying
- Breaking a promise

# Act and Rule Utilitarianism cont'

- Rule Utilitarianism states an action is right if and only if it
  - Conforms to a set of rules
    - Acceptance of which would produce the greatest balance of pleasure over pain for everyone
- Gives firmer ground to the rules of morality.

# Problems With Calculating Utility

- Some actions produce more pleasure for us than others.
- Is it easy to rank actions in order of the pleasure they give us.
- It is impossible to accurately measure how much pleasure they give us.

# The Greatest Happiness Principle:

- “Actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness” –John Stuart Mill
- Happiness = pleasure, and the absence of pain
- Unhappiness = pain, and the absence of pleasure
- **NOTE: Refer to examples from the notes**

# Reality Check!!!!

You need \$2000 to pay some medical bills. To get the extra money, you can either (a) borrow some money now, and pay it back later by working extra hours, or (b) spend all of your money on lottery tickets and hope that you win big. It's possible that you will win the lottery, but this isn't likely. Given the probabilities, it is more reasonable to believe that borrowing money will bring more happiness. Individual Rights



# Rawls's Egalitarianism

## (Fairness or Justice)

- Basic value is equality (fairness or justice).
- Equal shares in distribution
- The basic idea is that good people should fare well and bad people should fare badly.

# Egalitarian Principles

- Equal Liberty principle
  - All have equal right to all set of liberties
- Difference Principle
  - An unequal distribution is justified if
    - Everyone would be better off with the inequality than without it
- Principle of Equal Opportunity
  - Careers should be open to all on the basis of talent and that's all

# *Some examples*

- Discrimination (e.g., racism and sexism) is wrong. Discrimination is failing to treat relevantly similar cases similarly or failing to treat relevantly different cases differently.
- Exploitation is wrong ( taking unfair advantage of an innocent person's predicament)
- No one should profit from his or her own wrong.
- The punishment should fit (be proportional to) the crime.
- Promises should be kept.
- Merit should be rewarded.
- Reciprocity is important.

# LIBERTARIANISM

- Basic value is **LIBERTY** (freedom)
- However, it does not support always maximizing liberty,
- It generally does not allow violating one person's liberty to increase the liberty of others.
- Individuals 'entitled' to what they have acquired 'justly' i.e. within a market situation

# *Libertarianism principles*

- Anything between consenting adults is morally permissible.
- Laissez-fair capitalism is morally required.
- Coercion (the deprivation of liberty) is wrong except to punish criminals or to defend against an immoral attack
- Promises must be kept, and fraud is wrong.
- Government involvement should be minimal
  - Act as night watchperson

# PERFECTIONISM

## (Virtue Ethics)

- The basic value is having a good character.
- One has duty to perfect one's own character
- What makes one's life good is best understood by considering their **Character** .
- Virtues makes good character.
- The opposite is **Vice**.

# Virtue in Business

- Morality is not performing certain right actions but possessing a certain character
  - *“What actions are right?” BUT “What kind of persons should we be?”*
- Virtue ethics could be applied to business directly by holding that
  - The virtues of a good businessperson are the same as those of a good person

# What are virtues?

- Specific traits that everyone needs for the good life, regardless of their specific situation.
- An excellence/character that is admired in a person, as a disposition to act in a certain way
  - benevolence, compassion, courage, courtesy, dependability, friendliness, honesty, loyalty, self-control, and tolerance.



# Some Virtues & Vices

- Courage is virtue and cowardice is a vice.
- Honesty is a virtue and dishonesty is a vice
- Kindness is a virtue and unkindness is a vice
- Loyalty is a virtue and disloyalty is a vice
- Gratitude is a virtue and ingratitude is a vice
- Charity is virtue and uncharitableness is a vice.
- Being forgiving exhibits a virtue and being unforgiving exhibits a vice.

# KANTIANISM (Kantian Ethics)

- Proposed by Immanuel Kant (a German philosopher) in the 18<sup>th</sup> century
- According to Kantian ethics it is wrong to judge the rightness or wrongness of an act on the basis of consequences
- It should be judged on the basis of motive.

# The Universalizability Principle

## -Kantian Ethics

- Principle of Universalizability
  - If an act is right/wrong for one person then
    - It is right/wrong for all other relevantly similar persons in similar circumstances
    - What if everyone did that??????
- As a matter of logic, we must be consistent in the judgments we make.

# Kant's *"Duty for Duty Sake"*

- An act is right if and only if it is performed out of a sense of duty without consideration for consequences (favourable/unfavourable)
- This is because the consequences are not within our control.
- As rational beings are to do what we know to be right, and if the thing turns out to be wrong it does not matter.
- What matters is that person has done his/her duty.
- It is the motive of duty that makes an act right.

# *Kant's Benevolent Inclination*

- The duty motive is so central to Kant's thinking that even he discounts "benevolent inclination" as lacking moral value.
- People with benevolent inclination have a naturally friendly disposition and so they like to do things for others.
- Such a person may say: *"The drinks are on me!"* as he enters a bar with friends.

**THANK YOU**

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## Lecture Four

# Corporate Social Responsibility

8/25/2021





# Overview

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- Meaning of CSR,
- Evolution of CSR,
- Nature of CSR;
- Related concepts in CSR
  - Corporate Citizenship,
  - Corporate Social Performance,
  - Corporate Environmental Reporting

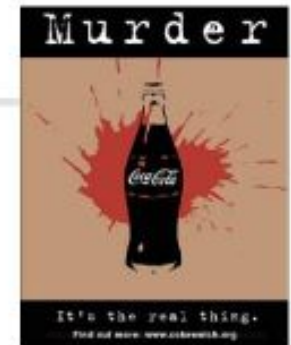


**HAUNTING IMAGES OF THOSE WHO RELIVE THE TRAGEDY DAILY: Rupesh, Adil, Shanu - Some survivors of the Bhopal gas tragedy**

# Instances of Activism against Business



- Facilitators: IT (esp Internet), media, low cost travel
- Boycotts, brand damage, influence legislation, domino effect
- e.g. Shell in Nigeria, Exxon in Cameroon, Sinopec in Sudan, Apparel Industry (Nike, Gap), GMO, Wood Products, etc.





# Allegations Against Business

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- **Business -**

- Has little concern for the consumer
- Cares nothing about the deteriorating social order
- Has no concept of ethical behavior
- Is indifferent to the problems of minorities and the environment
- These claims have generated an unprecedented number of pleas for companies to be more socially responsible.



# Case of Two Scenarios but the Same Business

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- Business for society
- Reinvest dividends
- Ford Motor Company, Michigan USA
  - Ford Snr (1919)
  - Ford Jnr (1999)



# The Concept of **Corporate Social Responsibility (CSR)**

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## ■ Historical Antecedents

- Ancient Mesopotamia's King Hammurabi, around 1700 BC introduced codes to sanction builders, farmers innkeepers etc
- senators of Ancient Rome agitate on the failure of business entities to contribute taxes that are sufficient to finance their military escapades
- Africa Traditional Societies
- The Bible/Quran – Almsgiving etc

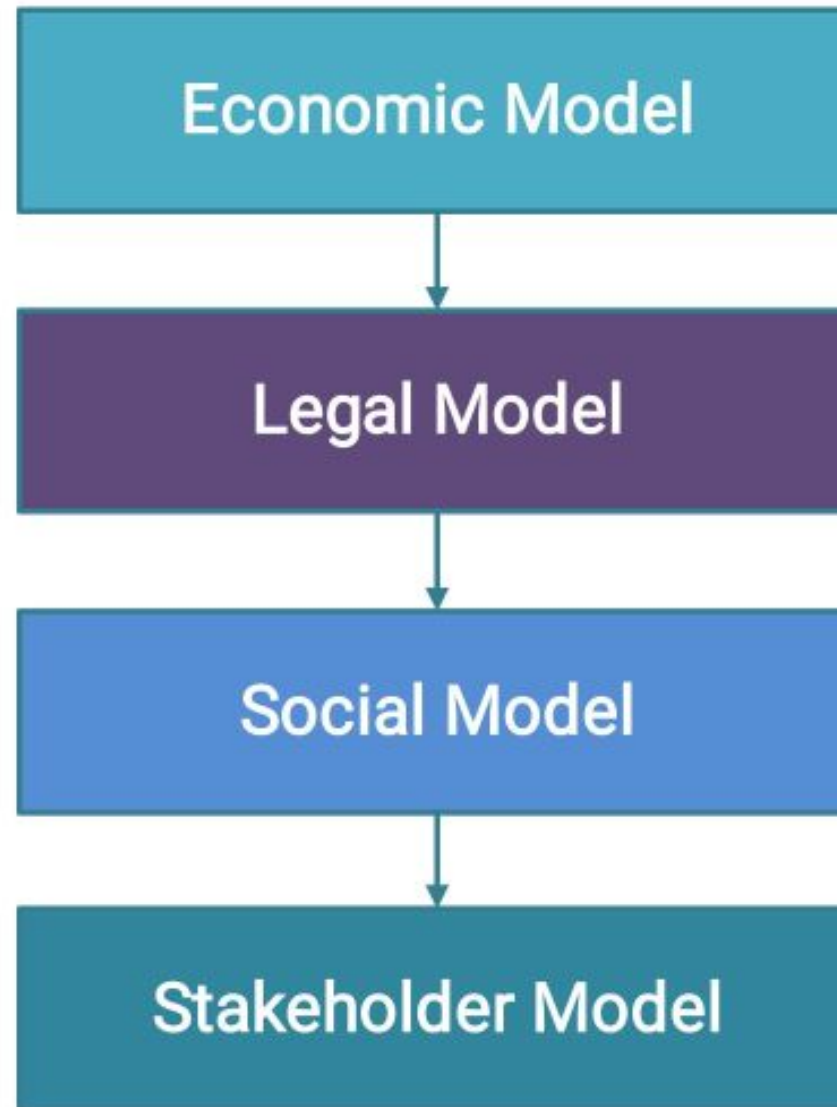


# What is Corporate Social Responsibility

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- Early Definitions –
  - CSR means seriously considering the impact of a company's actions on society.
  - CSR requires the individual to consider his or her acts in terms of a whole social system, and holds him or her responsible for the effects of his or her acts anywhere in that system.
  - These definitions provide useful insights into the concept of Corporate Social Responsibility.

# Historical Perspective on CSR







# Contemporary Definitions of CSR

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- ...is seriously considering the impact of the company's actions on society.
- ... is the obligation of decision makers to take actions that **protect** and **improve** the welfare of society as a whole, along with their own interests.
- ...supposes that the corporation has **economic** and **legal obligations** as well as responsibilities to society that extend beyond these obligations.



# A Four-Part Definition of CSR by A. Carroll

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While each definition is valuable, we will focus on the types of social responsibilities business has. Corporate social responsibility encompasses the:

**Economic**

**Legal**

**Ethical, and**

**Discretionary/Philanthropic**

expectations that society has of organizations at a given point in time.



# The Pyramid of CSR

**Philanthropic Responsibilities**  
*Be a good corporate citizen.*

**Ethical Responsibilities**  
*Be ethical.*

**Legal Responsibilities**  
*Obey the law.*

**Economic Responsibilities**  
*Be profitable*

# The CSR Equation

Economic Responsibilities

Legal Responsibilities

Ethical Responsibilities

Philanthropic Responsibilities

=

Total  
CSR

**The socially responsible firm should strive to: Make a profit; Obey the law; Be ethical; Be a good corporate citizen**

# Nature and Practice of CSR

## Top 20 CSR Activities

- Makes products that are safe
- Does not pollute air or water
- Obeys the law in all aspects of business
- Promotes honest/ethical employee behavior
- Commits to safe workplace ethics
- Does not use misleading/deceptive advertising
- Upholds stated policy banning discrimination
- Utilizes “environmentally friendly” packaging
- Protects employees against sexual harassment
- Recycles within company
- Shows no past record of questionable activity
- Responds quickly to customer problems
- Maintains waste-reduction program
- Provides/pays portion of medical
- Promotes energy-conservation program
- Helps displaced workers with placement
- Gives money to charitable/educational causes
- Utilizes only biodegradable/recycling materials
- Employs friendly/courteous/responsive personnel
- Tries continually to improve quality



# Argument AGAINST CSR

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- **Classical Economics:** The classical economic view is that business' only goal is the maximize profits for owners.
- **Business Not Equipped:** Business is not equipped to handle social activities.
- **Dilutes Business Purpose:** It dilutes the primary purpose of business.
- **Too Much Power Already:** Businesses have too much power already .
- **Global Competitiveness:** It limits the ability to compete in a global marketplace.



# Argument FOR CSR

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- **Enlightened self-interest:** Businesses must take actions to ensure long-term viability.
- **Warding off government regulations.** This is one of the most practical reasons.
- **Resources Available:** Business has the resources and expertise. Let it try.
- **Proaction is better than Reaction.** Proaction is also less costly.
- **Public supports:** the public strongly supports CSR.



# The Business Case for CSR

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## Business Benefits of CSR

1. Win new business
2. Increase customer retention
3. Develop and enhance relationships with customers, suppliers, and networks.
4. Attract, retain, and maintain a happy workforce and be an Employer of Choice.
5. Save money on energy and operating costs and manage risk.
6. Differentiate itself from competitors
7. Improve its business reputation and standing
8. Provide access to investment and funding opportunities
9. Generate positive publicity and media opportunities due to media interest in ethical business activities.





# Related Concepts of CSR

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- Corporate Social Responsiveness
- Corporate Social Performance (CSP)
- Corporate Citizenship

Note: The concept has grown from.....

*Responsibility..... Responsiveness.....*  
*Performance..... Citizenship.....*



# Corporate Social Responsiveness (CSP)

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## Corporate Social Responsiveness -

- An action-oriented variant of CSR.

## Responsibility -

- Implies a state or condition of having assumed an obligation.

## Responsiveness -

- Connotes a dynamic, action-oriented condition.



# Corporate Citizenship

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- **Corporate citizenship -**
  - Embraces all the facets of *corporate social responsibility, responsiveness, and performance.*
  - A Political Concepts used in Business
  - Who is a citizen
  - Companies as “citizens” of the countries in which they reside
  - CP: **Companies have certain responsibilities that they must fulfill in order to be perceived as good corporate citizens**
  - Corporate Citizenship serves a variety of stakeholders.



## *Corporate Citizenship Cont'*

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### ■ **Broad View**

- A reflection of shared moral and ethical principles.
  - A vehicle for integrating individuals into the communities in which they work.
  - A form of enlightened self-interest that balances stakeholders' claims and enhances a company's long-term value.
- ***Note: "just as private citizens are expected to fulfill these responsibilities, companies are as well."***



# *Corporate Citizenship*

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## Narrow View

- Corporate community relations
- it embraces the functions through which business intentionally interacts with
  - nonprofit organizations,
  - citizen groups, and
  - other stakeholders at the community level.



# Drivers of Corporate Citizenship

What motivates companies to embrace corporate citizenship/ become corporate citizens

## Internal motivators

- Traditions and values
- Reputation and image
- Business strategy
- Recruiting/retaining employees

## External pressures

- Customers and consumers
- Expectations in the community
- Laws and political pressures



# Benefits of Corporate Citizenship

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- **Improved employee relations** (improves recruitment, retention, morale, loyalty, etc.)
- **Improved customer relationships** (increases customer loyalty; a tiebreaker)
- **Improved business performance** (positively impacts bottom-line returns, increases competitive advantage)
- **Enhanced marketing efforts** ( helps create a positive company image)



# THANKING YOU

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## Lecture Five

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# Theories on Corporate Social Responsibility

8/25/2021



# Overview

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- Shareholder View
- Stakeholder View
- Triple-Bottom Approach



# SHAREHOLDER THEORY

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- AKA...Stockholder View
- Rooted in economics and Championed by Milton Friedman.
- Basis in Economics
  - Adam Smith: the need for a balance between supply and demand in markets leads to an efficient resource allocation, maximise market profit and maximise the benefit for society.
  - Market Imperfection has necessitated the emergence of firms (companies) whose basic interest is to effectively allocate scarce resource to generate maximum profits for resource owners.

# Milton Friedman (1970)

*The only Social responsibility of business  
is to increase its profits*

*What is Friedman's argument, in a nutshell (or 4 steps)?*

1. **'business'** cannot have **'responsibilities'**  
(only individuals/managers do)...
2. The managers of the corporation are  
the **Agents** of a **Principal** (the shareholders)
3. The shareholders want **Max profit**...
4. CSR is **taxation** without representation...

Therefore, the only **social responsibility** of managers  
is to **maximize profits!**

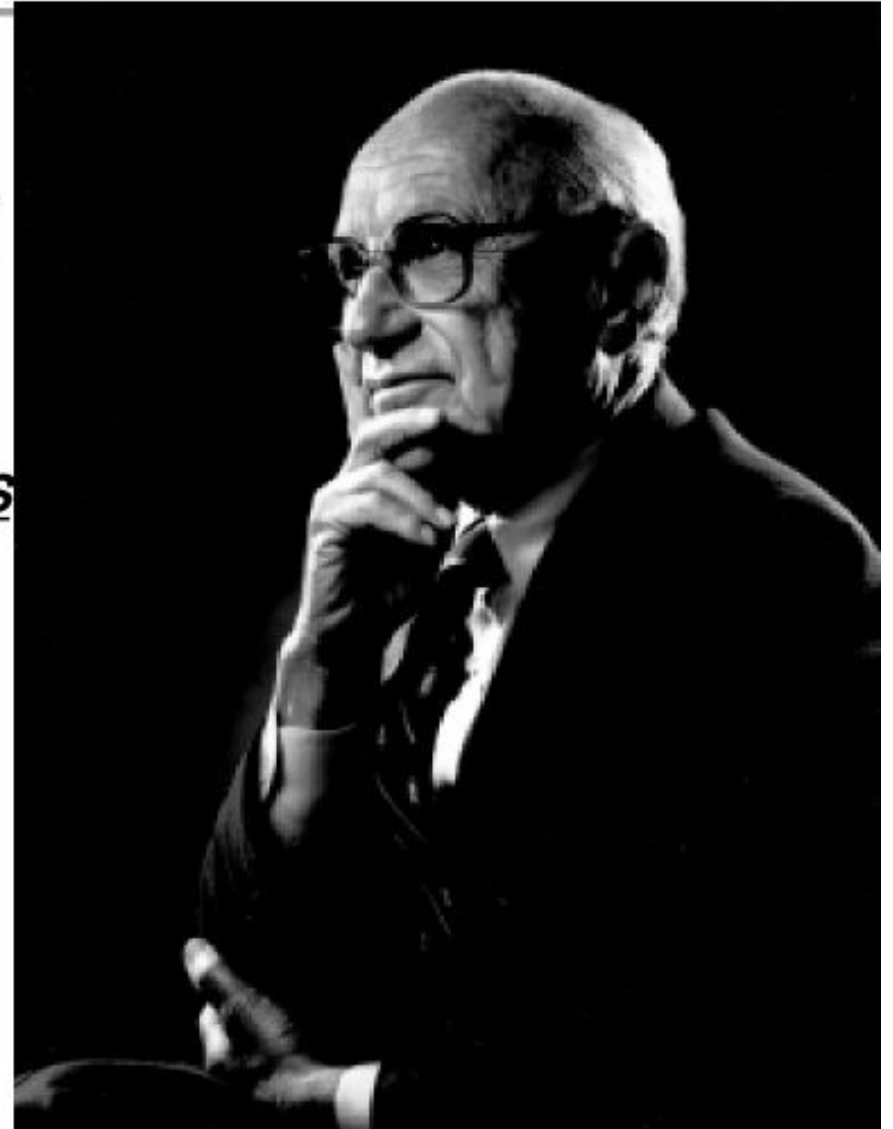


## Milton Friedman (1970)

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*“The only social responsibility of business is to use its resources and engage in activities designed to increase its profits...*

*...so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud”.*

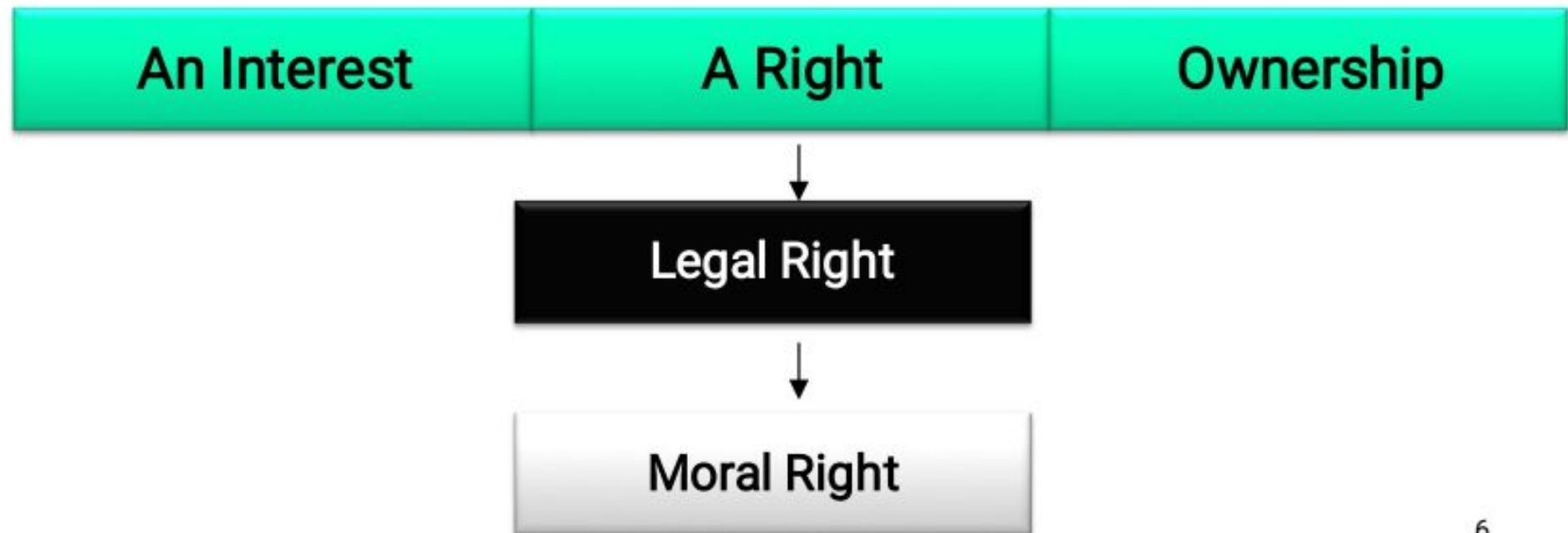


# THE STAKEHOLDER APPROACH

**Stake** - An interest or a share in an undertaking.

- **Claim** : A demand for something due or believed to be due

Can be categorized as:





# Stakeholders

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## ■ Stakeholder -

- Any individual or group who can affect or is affected by the actions, decisions, policies, practices, or goals of the organization.
- *Stakeholder* is a variant of the concept of *stockholder*— an investor/owner of businesses.



# Primary & Secondary Stakeholders

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## Primary stakeholders -

- Have a direct stake in the organization and its success.

## Secondary stakeholders -

- Have a public or special interest stake in the organization that is more indirect.





# Social Stakeholders

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Primary social stakeholders	Secondary social stakeholders
Shareholders and investors	Government regulators
Employees and managers	Civic institutions
Customers	Social pressure groups
Local communities	Media and academic commentators
Suppliers and other business partners	Trade bodies
	Competitors



# Nonsocial Stakeholders

Primary nonsocial stakeholders	Secondary nonsocial stakeholders
Natural environment	Environmental interest groups
Future generations	Animal welfare organizations
Nonhuman species	



# A Typology of Stakeholder Attributes

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- **Legitimacy** -  
Refers to the perceived validity or appropriateness of the stakeholder's claim to a stake.
- **Power** -  
Refers to the ability or capacity of a stakeholder to produce an effect.
- **Urgency** -  
Refers to the degree to which the stakeholder's claim demands immediate attention or response.
- **Proximity** -  
The spatial distance between the organization and its stakeholders.



# Stakeholder Approaches

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## Strategic approach -

- Views stakeholders primarily as factors managers should manage in pursuit of shareholder profits.

## Multifiduciary approach -

- Views stakeholders as a group to which management has a *fiduciary* responsibility.

## Stakeholder synthesis approach -

- Considers stakeholders as a group to whom management owes an ethical, but not a fiduciary, obligation.



# Triple Bottom Approach

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- AKA ...."Triple Bottom Line"
- Traced to the history of "Sustainability" and Sustainable Development
- Expanding the discourse to integrate ecological and social performance in addition to financial performance.

# History of Sustainability

- 1970:

- First **Earth Day** celebration – April 22nd
- Nixon establishes EPA
  - Fueled by industrialization and overpopulation impacts



- 1972: First UN conference on the Human Environment in Stockholm, Sweden

# History of Sustainability

- **1983** – UN establishes World Commission on Environment and Development
  - **Purpose:** examine world's critical environment and development problems and formulate solutions
- **1987:** Brundtland Commission Report
  - 3 components of Sustainable Development: **Environmental protection, Economic growth and Social equity**
  - Defined Sustainable Development as...



*“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”*

# History of Sustainability



- **1992: Rio Earth Summit**
  - Over 178 governments adopted...
    - **Agenda 21: a global blueprint and plan of action for sustainable development in the 21<sup>st</sup> century**
    - **The Rio Declaration on Environment and Development**
      - 27 principles that express the rights and responsibilities of nations as they pursue human development and well-being
    - **The Forest Principles**
      - A guide for the management, conservation, and sustainable development of all types of forests
- **2002: Third UN conference on Environment and Development, Johannesburg, South Africa**



# The Triple Bottom Line



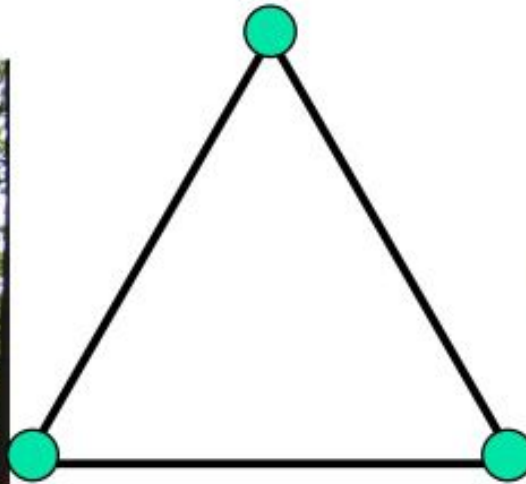
- People, planet, and profits
- Equity, environment, economy
- TBL coined by John Elkington of “SustainAbility” (UK) in 1995
  - Cannibals With Forks: The Triple Bottom Line of 21<sup>st</sup> Century Business (1997)
  - The Chrysalis Economy: How Citizen CEOs and their Corporations Can Fuse Values and Value Creation (2001)
  - [www.sustainability.com](http://www.sustainability.com)



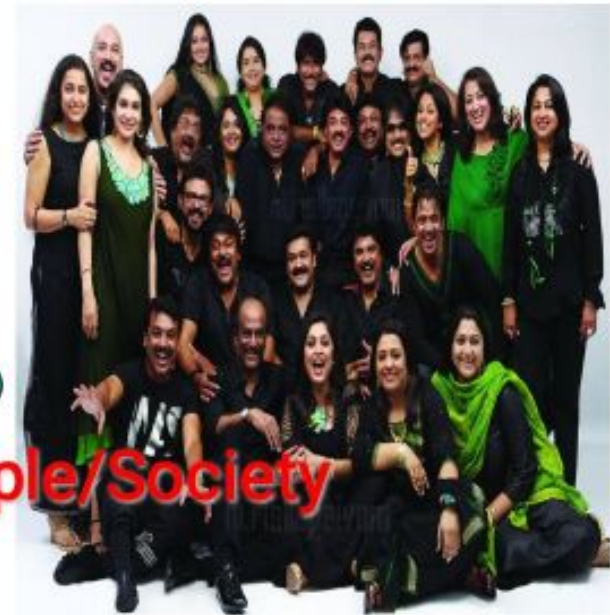
**Profit/Economy**



**Planet/Ecology**



**People/Society**





# PEOPLE

~~"People"~~ (human capital) pertains to **fair and beneficial business practices toward labour and the community and region in which a corporation conducts its business.**

A TBL company conceives a reciprocal social structure in which the well-being of corporate, labour and other stakeholder interests are interdependent.



# PLANET

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"Planet" (natural capital) refers to sustainable environmental practices.

A TBL company endeavors to benefit the natural order as much as possible or at the least do no harm and curtail environmental impact.

A triple bottom line company does not produce harmful or destructive products such as weapons, toxic chemicals or batteries containing dangerous heavy metals for example.



# PROFIT

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**"Profit"** is the economic value created by the organization after deducting the cost of all inputs, including the cost of the capital tied up.

This is often confused to be limited to the internal profit made by a company or organization (which nevertheless remains an essential starting point for the computation).



**Thank You**



## Lecture Six

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# Trade Secrets and Conflict of Interest

8/25/2021



# Introduction

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All businesses seek to protect certain valuable information, but QUESTION????

- ✓ what information do they have a right to keep secret?
- ✓ what are the ethical obligations of current and former employees to protect such information and not use it to their own advantage?

Companies also have an obligation to respect the secrets of their competitors, but they have a right to use any information that they can legitimately acquire.





# Issues here.....

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- The 3 main grounds for justifying trade secret protection, namely
  - property rights, fair competition and confidentiality
- The ethics of competitor intelligence gathering
- The concept of conflict of interest



# Trade Secret Protection

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- Trade Secret

- Information used in the conduct of a business that isn't commonly known by others
- Any formula, pattern, device or compilation of information used in one's business to give it an advantage over competitors

- Examples

- The ingredients/chemical composition of a product
- The details of a manufacturing process,
- Results of market surveys
- Patents, copyrights, and trademarks.



# Trade Secret Protection

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- Confidential Business Information
  - Information concerning specific matters which are kept secret
    - Not used to manufacture anything or provide a service
- Example
  - The salary of an employee

# Determinants of protectable information (as Trade secrets)



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1. The extent to which the information is known outside the business.
2. The degree to which it is known by employees and others involved in the business.
3. The measures required to guard the secrecy of the information.
4. The value of the information to the business and its competitors.
5. The amount of effort required to develop the information.
6. The ease with which the information can be acquired or duplicated by others.



# Trade Secrets as Property

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- Ownership of a trade secret does not confer a right of exclusive use.
- Rather confers protection against having the secret misappropriated by others.
- Once the information is widely known, it ceases to be a protectable trade secret.
- **THINKING????**
  - who owns information when an inventor is employed by the manufacturer of the product???



# Fair Competition

---

- Information may be protected on the grounds of fair competition (even when it is not classifiable as property and there is no contract barring disclosure or use)

## However

- If a company has acquired something at substantial cost in order to earn a profit, a competitor has no right to misappropriate it for the purpose of his own profit.
- (The case *Associated Press v. International News Service*)



# Noncompetition Agreements

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- Noncompetition Agreements
  - Restrict an employee from working for a competitor after leaving a company
    - For a certain period of time
    - Within a given geographical territory
  - Any post-employment restraint reduces the economic mobility of employees and limits their freedom to choose their livelihood.



# Confidentiality Agreements

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- The principal-agent relationship
  - agents to keep confidential any information that is revealed by a principal.
- An explicit contractual obligation
  - Is more stringent than the obligation of confidentiality that employees have as agents
- By relying on an enforceable obligation of confidentiality
  - Companies place unnecessary restraints on employee mobility and career prospects





# Right thing to do

---

- Instead of requiring confidentiality agreements;
  - companies secure the legal protection of patents, copyrights, and trademarks whenever possible,
  - segment information so that fewer people know the full scope of a trade secret, and
  - use pension supplements and post employment consulting contracts to discourage employees from finding competitive employment.
- Generally the best way to protect trade secrets is to foster good employee relations



# Conflict of Interest

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- Conflict of Interest occurs when
  - A personal interest interferes with a person's acting (esp.... obligation to a principal)
    - So as to promote the interests of another



# Actual and Potential Conflicts of Interest

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- An actual conflict of interest occurs when
  - A personal interest leads you to act against the interests of
    - an employer or
    - another person whose interests you are obligated to serve
  - There's the possibility that an agent will fail to fulfill an obligation to act in the interests of the principal but the agent has not yet done so.



# Personal and impersonal conflicts of interest

---

- Like individuals, organizations can be agents and hence parties to conflicts of interest.
  - Eg...many large accounting firms provide management services to companies that they also audit (KPMG, PwH etc..).
  - This dual role endangers the independence and objectivity of accountants.



## Individual and organizational conflict

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- Personal conflicts are those where the agent has something to gain;
  - An impersonal conflict arises when the agent is obligated to act in the interests of two different principals whose interests conflict.
  - Eg:... a lawyer or an accountant may have nothing to gain personally from favoring one client over the other but cannot fully serve both when their interests conflict

# The Kinds of Conflicts of Interest



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- There are four kinds of conflicts of interest:
  - Exercising biased judgment
    - ✓ large gifts, bribes, kickbacks, and other inducements interfere with the obligation of an agent to use specialized knowledge on behalf of a principal.
  - Engaging in direct competition
    - ✓ This occurs when an employee engages in direct competition with his or her employer.



# The Kinds of Conflicts of Interest cont.....

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- Misusing a position
  - ✓ Misuse of position can occur even when an employee's personal interests have no effect on decisions made for the employer.
- Violating confidentiality
  - ✓ when an employee uses information gained in the course of employment for his or her advantage

# Discrimination and Affirmative Action

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# What is Discrimination?

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- Discrimination occurs when a person is deprived of some benefit or opportunity
  - Because of membership in some group toward which there is substantial prejudice
- Workplace discrimination occurs when
  - Employers make decisions that affect the economic interest of employees
  - Their decisions are based on a person's non job related characteristics



# Article 17 (1992 Constitution of Ghana)

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## *Equality And Freedom From Discrimination*

- (1) All persons shall be equal before the law.
  - (2) A person shall not be discriminated against on grounds of gender, race, colour, ethnic origin, religion, creed or social or economic status.
- 
- For the purpose of this article, "discriminate" means to give different treatment to different persons attributable



# Forms of Discriminations

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- Discrimination on the basis of sex.
- Religious discrimination
- National origin discrimination.
- Age discrimination
- Discrimination against the handicapped.



# Discrimination on the Basis of Sex

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- Sex Discrimination
  - Discrimination based on the fact that a person is male or female
    - Not on sex-related matters, such as sexual orientation or marital status
- Sexual harassment also constitutes a form of sex discrimination.
  - Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature



# Avoiding Discrimination

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- In order to avoid discrimination, employers must;
  - perform a job analysis of positions available
  - Use proper recruitment and selection processes
  - Use objective tests and subjective evaluations



# Affirmative Action

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- Affirmative action's goal was to eliminate discrimination in the work place.
  - Advocates believe that victims of discrimination deserve some advantages
  - Opponents believe that affirmative action causes reverse discrimination



# Equal Opportunity or Equal Treatment

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- Equal Treatment
  - The right to an equal distribution of some opportunity or resource or burden
- The Right to Treatment as an Equal
  - The right to be treated with the same respect and concern as anyone else



# Some Problems with Affirmative Action

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- Involves hiring and promoting less qualified people.
  - Thus lowering the quality of the workforce
- Is damaging to the self-esteem of
  - Employees who are favored because of race or sex
- Produces race consciousness.





# Preventing Sexual Harassment

---

1. Developing a firm policy against harassment;
2. Communicating this policy to all employees and providing training, when necessary, to secure compliance;
3. Setting up procedures for reporting violations and investigating all complaints thoroughly and fairly; and
4. Taking appropriate action against the offenders



# Lecture Seven

# Employment Rights

8/25/2021



# Unjust Dismissal

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- Dismissal is considered to be unjust under two conditions, when
  1. An employee is dismissed without a good cause
  2. The dismissal occurs without a fair hearing
- These two elements together constitute due process.



# Employment at Will

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- Employment at Will
  - An employer may terminate an employee at any time and for any reason
    - unless an employment contract specifies otherwise
- The relationship continues to exist only as long as both parties want it too.



# Freedom of Contract Agreement

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- A legal document signed by both parties, in which
  - A business firm states the terms under which it is willing to hire a person
  - The person signifies by their acceptance a willingness to work under those terms



# The Efficiency Argument

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- The Efficiency Argument states the success of any business enterprise
  - Depends on the efficient use of all resources, including labor
- The efficient operation of business benefits both employers and employees.



# Exceptions to Employment at Will

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- Exceptions to employment at will made by the courts
  - Public policy
  - Implied contract
  - Bad faith and malice



# Arguments for Due Process

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- A terminated employee should not be inflicted without
  - An adequate reason and a fair hearing.
- The right is owed out of respect for the dignity of workers
- Treating employees fairly is good management practice





# Defining Freedom of Expression

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- A definition of freedom of expression includes four elements:
  1. The nature of the expression
  2. The subject or topic of the expression
  3. The location or venue of the expression
  4. The audience of the expression



# Legal Protection for Expression

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- The First Amendment guarantees freedom of speech.
- Employees in the private sector have a right to expression
  - As such a right is contained in employment contracts



# Participation and Democracy

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- Worker participation
  - A process that allows employees to exercise some influence
    - Over their work
    - The conditions under which they work



# Participation and Democracy

---

- Workplace democracy exists when employees have some real control over
  - Organizational goal-setting
  - Strategic planning
    - This ensures that their own goals and objectives can be met
      - And not only the organizations



# The Market Mechanism

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- Market Clearing Price
  - The wage at which exactly the desired number of workers is employed
- The wages set in a free-market economy reward people in proportion to
  - The knowledge and skills that they have acquired and the effort expended



# **Marketing, Advertising, and Product Safety**

8/25/2021



# Introduction

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- The 4 Ps of marketing are:
  - Product
  - Price
  - Promotion
  - Placement



# Marketing

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- Consumer sovereignty
  - The notion that consumers are “kings” in the economy
    - Because they ultimately decide whether to buy a company’s products





# A Framework for Marketing Ethics

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- Most of the ethical problems in marketing involve three ethical concepts:
  - Fairness
    - Or justice
  - Freedom
  - Well-being



# A Framework for Marketing Ethics

---

- Two traditional doctrines in marketing are:
  - Caveat Emptor- buyer beware
    - Buyer has full responsibility to judge the quality of the goods
  - Caveat Venditor - seller beware
    - Places a responsibility on the seller to fully reveal the quality of the goods sold



# A Framework for Marketing Ethics

---

- The Consumer Product Safety Commission has the power to
  - Issue standards
  - Require warnings
  - Ban dangerous products entirely



# Labeling

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- The Fair Packaging and Labeling Act (1966) Requires that containers disclose
  - The Ingredients of the product
  - The amount
  - Other pertinent information
    - Including nutritional content in the case of food



# Sales Practices and Labeling

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- Most anticompetitive marketing practices are illegal.
- Major anticompetitive marketing practices which are prohibited are:
  - Price fixing, resale price maintenance, price discrimination, and predatory pricing



# Distribution

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- Distribution
  - The means by which products are delivered from the manufacturer to the consumer
- Illegal abuses of power in distribution are:
  - Reciprocal dealing, exclusive dealing, and tying arrangements



# Distribution

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- Ethical issues in distribution
  - Abuse of power in channeling relations
  - Slotting allowances to gain access to shelf space in stores
  - Gray markets that arise from diverting and parallel importing



# Advertising

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- Advertising is communication about an organization and its products
  - It is transmitted to a target audience through a mass medium
- Ethical concerns about advertising, include
  - Deceptive advertising, irrational persuasion, and the impact of advertising





# The Due Care Theory

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- Manufacturers have an obligation to exercise due care.
  - Taking all reasonable precautions to
    - Ensure that products they put on the market are free of defects
- Manufacturers are liable when they fail to carry out this obligation.



# The Concept of Negligence

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- Negligence involves the interplay of three factors:
  1. The probability of harm
  2. The severity of the harm
  3. The burden of protecting against the harm



# The Contractual Theory

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- The Contractual Theory
  - States the responsibility of manufacturers for harm resulting from defective products is
    - Specified in a sales contract



# The Strict Liability Theory

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- The Strict Liability Theory
  - Holds manufacturers responsible for harm resulting from a
    - Dangerously defective product
      - Even when due care has been exercised and all contracts observed