**WEEK 11: BUSINESS ETHICS AND CORPORATE SOCIAL RESPONSIBILITY:**

**BUSINESSES THAT HAVE FACED ETHICAL DILEMMAS: NIKE**

As a society it is expected that managers and organisations to do the right thing, but it gets more complicated to understand what ethics are in a corporate sense.

EHTICS are the rules or standards governing the conduct of a person/group. Ethical decisions are complex.

By acting globally and outsourcing a company is put somewhat at risk. It loses some control of its internal processes. Business ethics and social responsibility is a complex phenomenon, we as consumers want cheap sneakers and sportswear, so in a way we compel or drive Nike to produce them for us as customers, and they trust other organisations, some of whom are ethical/more ethical than others. 🡪 It is a complicated situation, and those factors do lead into why managers who are otherwise good people might make bad decisions.

|  |  |
| --- | --- |
| **WHAT IS ETHICAL BEHAVIOUR IN A COMPANY SENSE?** | **FACTORS THAT INFLUENCE ETHICAL DECISION MAKING** |
| **-Competing fairly and honestly**  **-Communicating truthfully**  **-Being transparent** (transparency is the degree to which affected parties can observe relevant aspects of transactions or decisions)  **-Not causing harm to others** (e.g. insider trading: the use of unpublicised information that an individual gains from job experience to benefit from fluctuations in the stock market)  **“There is no right way to do the wrong thing”** | **-Cultural differences**  **-Knowledge:** The amount of organisational knowledge a manager has plays into this. Sometimes unethical decisions are made simply because what is going on is misunderstood. In many scenarios derivatives are miscalculated and the implications on society are misunderstood.  **-Organisational behaviour** (e.g. rewarding behaviours that push ethical boundaries)  Sometimes with good intention organisations reward behaviours that actually push the ethical boundaries. |

**ETHICAL GAMBITS (schemes):** To motivate people, organisations sometimes give bonuses; however people may try to push boundaries to achieve these goals which could put the organisation in jeopardy.

***SO WHY DO ORGANISATIONS GET IN TROUBLE WITH ETHICS?***

**-Reference points-**If you only compare yourself to what others in the workplace/industry are doing, you sometimes lose track of what would be the best or right thing to do. This leads to the opposite: exceptionalism.

Ethical approached depend on who you think is responsible for social outcomes. Are businesses responsible for social outcomes?

Social responsibility is complicated and positive outcomes for one set of stakeholders may be negative for others. When someone wins, often one loses (game theory)

Factors like reward systems can lead to unintended consequences unethical behaviour.

**-Exceptionalism-** Everybody should play by the rules, but I AM SPECIAL. People who are paid extreme amounts of money come to believe that they are entitled to that money. They stop seeing that there would be anything wrong with it because they somehow believe that they are unique and especially talented. Is rewarding smart sharp behaviour hurting the customer? Is it criminal?

**-Anonymous infiltration, unknowable persuasiveness of connectivity:** We can act anonymously and especially through the web, it gives us a sense of protection/satisfaction: that we can do things and not be connected to our actions.

**-Looks can be deceiving:** sometimes we don’t understand because of this e.g. bad information can be misinterpreted.

**-The tragedy of the commons:** if you or I are not directly responsible for something and we share it, it ends up being misused sometimes.

-When Google founded itself 10 years ago it had a direct comparative idea “DON’T BE EVIL”- It was referring to Microsoft; they basically felt that Microsoft used its monopolistic power to be a strong/overstrung player in the world. Google has ended up being a very strong player but underneath it all they had this idea of “let’s not be like Microsoft”.

**-Code of ethics:** A written statement that sets forth the guidelines for organisations decisions.

**~~-~~WHISTLE-BLOWING:** The disclosure of information by a company insider that exposes illegal or unethical behaviour by others within the organisation.

-“FAIR EXECUTIVE PAY”: In New Zealand we often wonder: “how much is fair pay for an executive here”. Steve Jobs was famously paid $1 a year for running Apple (he owned stocks in the company and had ways to support himself) but the point is that he didn’t take a large amount of money from the firm and raises the issue of “HOW MUCH IS A FAIR SALARY FOR AN EXECUTIVE?” knowing that the company is truly run by the organisation and there role is only relative to how good the team is.

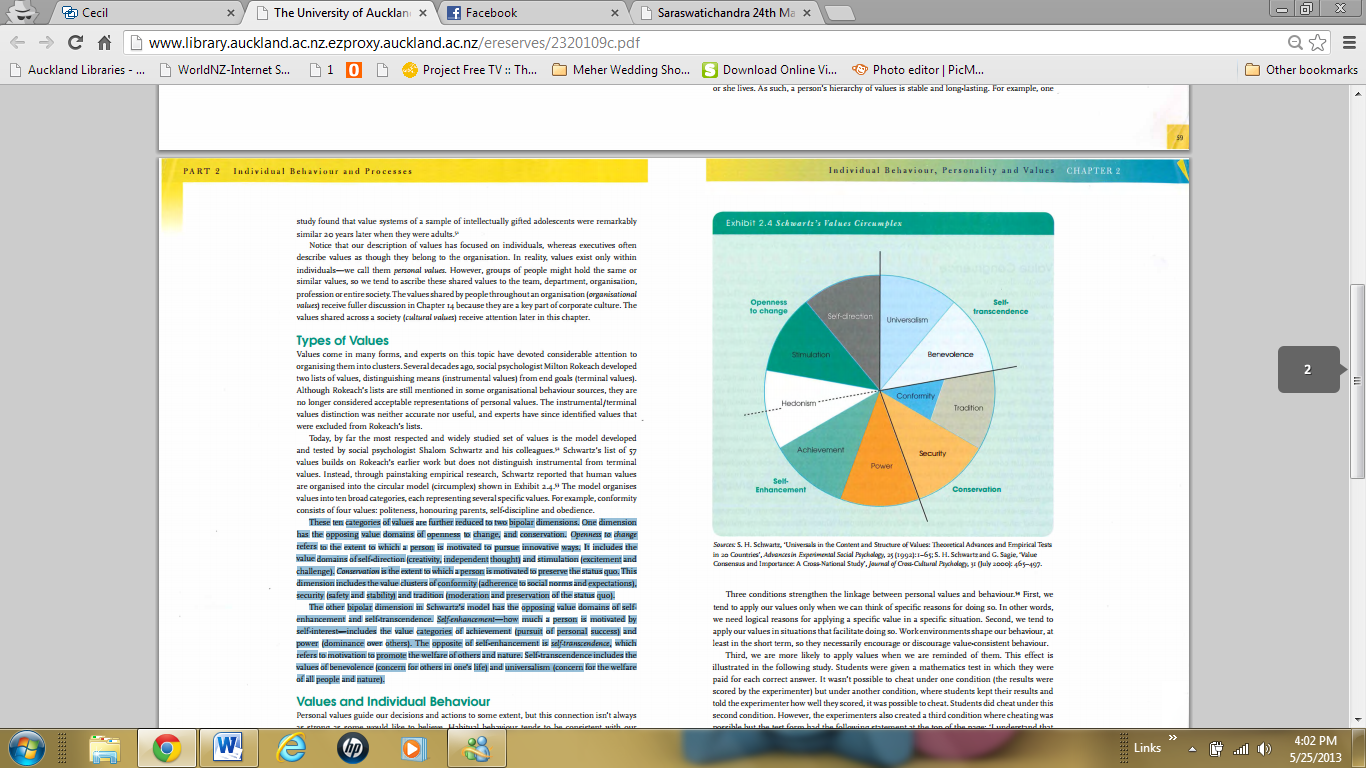
-CYBER CRIME: One of the biggest threats to business and society in the future through being able to act anonymously and being able to have a much greater reach out into the world; there are opportunities for good and bad behaviour. The cost of clicks: are new technological industries cleaner than older methods. Cost of running clouds (Google) is expensive🡪 costly environmental factors.

**ENVIRONMENTAL ETHICS:** Despite its clean, green image, agri-business is a major source of pollution and threat to water and supply safety. Any decision made will affect stakeholders in opposing ways. ***STAKEHOLDER CONFLICT***

SUSTAINABILITY: idea of social responsibility, business activity should take into account environmental impacts.

CORPORATE SOCIAL RESPONSIBILITY: The idea that business has obligations to society beyond the pursuit of profits.

**VALUES IN THE WORKPLACE:** Values are stable, evaluative beliefs that guide our preferences for outcomes or courses of action in a variety of situations. They are values perceptions about what is good or bad, right or wrong. Values tell us what we 'ought' to do. They serve as a moral compass that directs our motivation and, potentially, our decisions and actions.

Values are related to self-concept because they partly define who we are as individuals and as members of groups with similar values. People arrange values into a hierarchy of preferences, called a value system. Each person's unique value system is developed and reinforced through socialisation from parents, religious institutions, friends, personal experiences and the society in which he or she lives. As such, a person's hierarchy of values is stable and long-lasting. In reality, values exist only within individuals-we call them personal values. However, groups of people might hold the same or similar values, so we tend to ascribe these shared values to the team, department, organisation, profession or entire society.

These ten categories of values are further reduced to two bipolar dimensions. One dimension has the opposing value domains of openness to change, and conservation. Openness to change refers to the extent to which a person is motivated to pursue innovative ways. It includes the value domains of self-direction (creativity, independent thought) and stimulation (excitement and challenge). Conservation is the extent to which a person is motivated to preserve the status quo.

This dimension includes the value clusters of conformity (adherence to social norms and expectations), security (safety and stability) and tradition (moderation and preservation of the status quo).

The other bipolar dimension in Schwartz's model has the opposing value domains of self enhancement and self-transcendence. Self-enhancement-how much a person is motivated by self-interest-includes the value categories of achievement (pursuit of personal success) and power (dominance over others). The opposite of self-enhancement is self-transcendence, which refers to motivation to promote the welfare of others and nature. Self-transcendence includes the values of benevolence (concern for others in one's life) and universalism (concern for the welfare of all people and nature).

**VALUES AND INDIVIDUAL BEHAVIOUR:** Three conditions strengthen the linkage between personal values and behaviour. First, we tend to apply our values only when we can think of specific reasons for doing so. In other words, we need logical reasons for applying a specific value in a specific situation. Second, we tend to apply our values in situations that facilitate doing so. Work environments shape our behaviour, at least in the short term, so they necessarily encourage or discourage value-consistent behaviour.

Third, we are more likely to apply values when we are reminded of them. People must be reminded that they have an obligation to act ethically.

**VALUE CONGURENCE:**

Personal values not only define the person's self-concept; they also affect how comfortable that person is with being associated with an organisation and working with specific people. The key concept here is value congruence, which refers to how similar a person's value hierarchy is to the value hierarchy of the organisation, a co-worker or another source of comparison. Person organisation value congruence occurs when the employee's and organisations dominant values are similar. Person-organisation value congruence also leads to higher job satisfaction, loyalty and organisational citizenship, as well as lower stress and employee turnover.

Organisations also benefit from some level of value incongruence. Employees with diverse values offer different perspectives, which potentially lead to better decision making.

Also, too much congruence can create a 'corporate cult' that potentially undermines creativity, organisational flexibility and business ethics.

A second type of value congruence involves how consistent the values apparent in our actions (enacted values) are with what we say we believe in (espoused values). This espoused-enacted value congruence is especially important for people in leadership positions because any obvious gap between espoused and enacted values undermines their perceived integrity-a critical feature of effective leaders. A third type of value congruence involves the compatibility of an organisation's dominant values with the prevailing values of the community or society in which it conducts business.

Thus, globalisation calls for a delicate balancing act: companies depend on shared values to maintain consistent standards and behaviours, yet they need to operate within the values of different cultures around the world.

**ETHICAL LAPSE: A situation in which an individual or group makes a decision that is morally wrong, illegal and unethical.**

**ETHICAL DILEMMA: A situation in which more than one side of an issue can be supported with valid arguments.**

**When faced with an ethical dilemma:** -Businesses must make sure they frame the situation accurately, taking into account the relevant issues and questions.

-Identify the stakeholder rights of all the people affected by the decision.

-Be as objective/neutral as possible: don’t assume people think differently to you, treat as you would like to be treated.

- Beware of **CONFLICTS OF INTEREST**: situations in which competing loyalties can lead to ethical lapses (a business decision may be influences by the potential for personal gain)