

## CHAPTER 2

# Being Ethical and Socially Responsible

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## 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 Chipotle has expanded beyond 1,300 restaurants worldwide and increased annual sales above \$2 billion.
- The Nortel Networks Corporation example in the “Conflict of Interest” section has been deleted.
- The “Individual Companies’ Role in Encouraging Ethics” section has been revised.
- The “Social Responsibility” section describes how Walmart helped with the relief efforts after Hurricane Sandy hit the East Coast. In addition to providing food and personal care products, Walmart delivered one million bottles of water in New York City and to the state of New Jersey.
- Also in the “Social Responsibility” section, the discussion of General Mills has been updated. Since its inception in the mid-1990s, General Mills Box Tops for Education has raised more than \$400 million to provide schools with funding for whatever students need.
- A new discussion has been added on how Dell Corporation partners with the University of Texas to invite college students from around the world to join its strong community of support and to present their innovative ideas for solving social problems.
- The discussion on IBM’s World Community Grid has been revised and updated.
- GE’s social responsibility activities have been updated with new examples, such as how the GE Foundation matches GE employee and retiree gifts to disaster relief organizations.
- A new ExxonMobil example explains how the company’s employees, retirees, and ExxonMobil Foundation provided \$278.4 million in cash, goods, and services around the world.
- AT&T’s social responsibility activities have been updated. In 2012, AT&T developed the “Texting and Driving: ‘It Can Wait’ ” Simulator to show the dangers of texting behind the wheel.

- Figure 2-3, “Comparative Income Levels,” has been updated to reflect the new data on the median household incomes of Asian, white, Hispanic, and African-American workers in 2011.
- Figure 2-4, “Relative Earnings of Male and Female Workers,” has been updated to reflect the new data for 2011.
- The key term *National Alliance of Business* and its discussion have been deleted.
- A new Sustain the Planet feature explains social responsibility at Xerox for the past 40 years.
- A new Entrepreneurial Success feature, “Social Entrepreneurs of Tomorrow,” describes how a growing number of young entrepreneurs are starting businesses with the goal of using their skills for a socially responsible purpose: to improve the quality of life for people all over the world.
- The Scholfield Honda video case has been replaced with a new video case entitled “PortionPac Chemical Is People-Friendly, Planet Friendly.” The founders were thinking “green” long before the word came to describe an international environmental movement.
- The Building Skills for Career Success section contains a new Social Media Exercise that describes how businesses are using social networks.

## 2.3 QUICK REFERENCE GUIDE

Instructor Resource	Location
Transition Guide	IM, pp. 39–40
Learning Objectives	Textbook, p. 32; IM, p. 42
Brief Chapter Outline	IM, pp. 42–43
Comprehensive Lecture Outline	IM, pp. 43–54
At Issue: How should employers deal with proselytizing?	IM, p. 53
Sustain the Planet <i>Social Responsibility at Xerox</i>	Textbook, p. 55
Entrepreneurial Success <i>Social Entrepreneurs of Tomorrow</i>	Textbook, p. 57
Inside Business <i>Chipotle Mexican Grill's "Food with Integrity"</i>	Textbook, p. 33
Marginal Key Terms List	Textbook, p. 60
Concept Checks	Textbook, pp. 36, 38, 44, 46, 48, 50, 53, 57, and 59 Questions and Suggested Answers, IM, pp. 55–59
Discussion Questions	Textbook, p. 60 Questions and Suggested Answers, IM, pp. 59–60
Video Case (PortionPac Chemical Is People-Friendly, Planet-Friendly) and Questions	Textbook, pp. 62–63 Questions and Suggested Answers, IM, pp. 60–61
Building Skills for Career Success	Textbook, p. 63 Suggested Answers, IM, p. 61
IM Quiz I & Quiz II	IM, pp. 62–64 Answers, IM, p. 65
Classroom Exercises	IM, pp. 65–66

## 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.

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*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.

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- 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 websites not related to their job.

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**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.*

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**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 encouraging 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 ethical advice, establishes and maintains an anonymous confidential service to answer 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 corporate misconduct. Any executive who retaliates against a whistle-blower can be held criminally liable and imprisoned for up to ten 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 situations, 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, Lockheed 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 \$1 billion to communities since its creation. General Mills Box Tops for Education has raised more than \$400 million providing schools with funds to meet students' needs.
  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 \$850 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.
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 matches GE employee and retiree gifts to disaster relief organizations. Recently, GE employees and retirees contributed 1.3 million hours through company-sponsored programs.
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. ExxonMobil's commitment to education spans all levels of achievement. Recently, ExxonMobil Corporation, its employees, retirees, and the ExxonMobil Foundation provided \$278.4 million in cash, goods, and services around the world. In addition, the company celebrated 2011 International Women's Day by granting \$6 million to support economic opportunities for women around the world.
8. 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 \$900 million in support of education. In 2012, AT&T developed the "Texting and Driving: 'It Can Wait' " Simulator to illustrate the dangers of texting behind the wheel.
9. 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.

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 workweek 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 specifies that products purchased by consumers must be safe for their intended use, include thorough and explicit directions for proper use, and be 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.

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**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.

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**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.

Most recently, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 was passed by Congress 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. Such workers require training; this training can be expensive and time consuming.

**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.

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. 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.

## 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 co-workers 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

1. Existing laws require “reasonable accommodation.” The proselytizing employees could be separated from employees who feel harassed by the practice.
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.
3. If proselytizing is kept to a minimum and has no impact on co-workers, it could be considered “reasonable accommodation.”

#### Against Proselytizing

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. 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. Title VII permits restriction of religious expression that disrupts operations or is hostile or demeaning to customers or co-workers.

- 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 Concept Checks

#### Concept Check (p. 36)

**1. What is meant by business ethics?**

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

**2. What are the different types of ethical concerns that may arise in the business world?**

Ethical issues arise over fairness and honesty, organizational relationships, conflicts of interest, and communications.

**3. Explain and give an example of how advertising can present ethical questions.**

False and misleading advertising is illegal and unethical, and it can infuriate customers. Sponsors of advertisements aimed at children must be especially careful to avoid misleading messages. Advertisers of health-related products also must take precautions to guard against deception when using such descriptive terms as *low fat*, *fat free*, and *light*.

#### Concept Check (p. 38)

**1. Describe several individual factors that influence the level of ethical behavior in an organization.**

Individual knowledge of an issue, personal values, and personal goals.

**2. Explain several social factors that affect ethics in an organization.**

Cultural norms, co-workers, significant others, and use of the Internet. These issues sometimes arise out of a business's relationship with investors, customers, employees, creditors, or competitors.

**3. How does "opportunity" influence the level of ethical behavior in the workplace?**

*Opportunity* refers to the amount of freedom an organization gives an employee to behave unethically if he or she makes that choice. In some organizations, certain company policies and procedures reduce the opportunity to be unethical.

#### Concept Check (p. 44)

**1. How can the government encourage the ethical behavior of organizations?**

The government can encourage ethical behavior by legislating more stringent regulations. For example, the landmark Sarbanes-Oxley Act of 2002 provides sweeping new legal protection for those who report corporate misconduct.

**2. What is trade associations' role in encouraging ethics?**

Trade associations can and often do provide ethical guidelines for their members. These organizations, which operate within particular industries, are in an excellent position to exert pressure on members who stoop to questionable business practices.

### 3. What is whistle-blowing? Who protects the whistle-blowers?

*Whistle-blowing* is informing the press or government officials about unethical practices within one's organization. The Sarbanes-Oxley Act of 2002 protects whistle-blowers who report corporate misconduct. Any executive who retaliates against a whistle-blower can be held criminally liable and imprisoned for up to ten years.

### 4. What is social responsibility? How can business be socially responsible?

Social responsibility is the recognition that business activities have an impact on society and the consideration of that impact in business decision making. The text provides several examples of ways in which businesses are being socially responsible. The examples provided are just a few of the many companies that strive to behave in socially responsible ways.

#### Concept Check (p. 46)

##### 1. Outline the historical evolution of business social responsibility.

During the first quarter of the twentieth century, businesses were free to operate pretty much as they chose. Government protection of workers and consumers was minimal. Soon after Franklin D. Roosevelt became president in 1933, he instituted programs to restore the economy and improve social conditions. The government passed laws to correct what many viewed as the monopolistic abuses of big business and provided various social services for individuals. These massive federal programs became the foundation for increased government involvement in the dealings between business and society.

##### 2. What is the doctrine of *caveat emptor*?

*Caveat emptor* is a Latin phrase meaning "let the buyer beware." In other words, "what you see is what you get," and if it is not what you expected, too bad.

##### 3. What are the six important business-related federal laws passed between 1887 and 1914?

These six laws are as follows: Interstate Commerce Act, Sherman Antitrust Act, Pure Food and Drug Act, Meat Inspection Act, Federal Trade Commission Act, and Clayton Antitrust Act.

#### Concept Check (p. 48)

##### 1. Explain the two views on the social responsibility of business.

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. The socioeconomic model of social responsibility places emphasis not only on profits but also on the impact of business decisions on society.

##### 2. What are the arguments for increased social responsibility?

- Because business is a part of our society, it cannot ignore social issues.
- Business has the technical, financial, and managerial resources needed to tackle today's complex social issues.
- By helping resolve social issues, business can create a more stable environment for long-term profitability.

- Socially responsible decision making by firms can prevent increased government intervention, which would force businesses to do what they fail to do voluntarily.

### 3. What are the arguments against increased social responsibility?

- Business managers are responsible primarily to stockholders, so management must be concerned with providing a return on owners' investments.
- Corporate time, money, and talent should be used to maximize profits, not to solve society's problems.
- Social problems affect society in general, so individual businesses should not be expected to solve these problems.
- Social issues are the responsibility of government officials who are elected for that purpose and who are accountable to the voters for their decisions.

### Concept Check (p. 50)

#### 1. Describe 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.

#### 2. What are the major forces in consumerism today?

The major forces in consumerism are individual consumer advocates and organizations, consumer education programs, and consumer laws.

#### 3. What are some of the federal laws enacted in the last 50 years to protect your rights as a consumer?

See Table 2-4 in the text.

**Concept Check (p. 53)****1. What is an affirmative action program? What is its purpose?**

An *affirmative action program* is a plan to increase the number of minority employees at all levels within an organization. The objective of such a program is to ensure that minorities are represented within the organization in approximately the same proportion as in the surrounding community.

**2. Why did Congress create (and later strengthen) the Equal Employment Opportunity Commission?**

The Equal Employment Opportunity Commission (EEOC) was created by Congress to investigate complaints of discrimination and to sue firms that practice discrimination in employment.

**Concept Check (p. 57)****1. Describe the major types of pollution. What are their causes and their cures?**

Businesses contribute to water pollution by dumping wastes into the water; to air pollution by admitting hazardous chemicals into the air; 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 wastes 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.

**2. Summarize major provisions of federal environmental laws enacted since 1970.**

See Table 2-5 in the text.

**3. Who should pay for a clean environment?**

Many business leaders offer one answer—tax money should be used to clean up the environment and to keep it clean. They reason that business is not the only source of pollution, so business should not be forced to absorb the entire cost of the cleanup. Environmentalists disagree. They believe that the cost of proper treatment and disposal of industrial wastes is an expense of doing business. In either case, consumers probably will pay a large part of the cost—either as taxes or in the form of higher prices for goods and services.

**Concept Check (p. 59)****1. What steps must a business take to implement a program of social responsibility?**

The steps are as follows:

- *Commitment of top executives.* Top executives should develop a policy statement that outlines key areas of concern.
- *Planning.* Managers should form a plan that deals with each of the issues described in the policy statement.

- *Appointment of a director.* A top-level executive should be appointed to direct the organization's activities in implementing the policy.
- *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. What is the social audit? Who should prepare a social audit for the firm?

A *social audit* is a comprehensive report of what an organization has done and is doing with regard to social issues that affect it. This document provides the information the firm needs to evaluate and revise its social responsibility program.

## 3. What are the three sources of funding for a social responsibility program?

- a. Management can pass the cost on to consumers in the form of higher prices.
- b. The corporation may be forced to absorb the cost of the program if, for example, the competitive situation does not permit a price increase. In this case, the cost is treated as a business expense, and profit is reduced.
- c. The federal government may pay for all or part of the cost through tax reductions or other incentives.

## 2.7b 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.)

### 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.

## 2.7c Comments on Video Case

### PortionPac Chemical Is People-Friendly, Planet-Friendly

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

**1. PortionPac is family-owned. How does this private ownership affect the company's ability to follow the socioeconomic model of social responsibility?**

Thanks to its private ownership, PortionPac is free from the pressures that public corporations face in explaining their management decisions and financial results to stakeholders such as shareholders and securities analysts. PortionPac's owners are responsible for all decisions about investing in social responsibility programs, and they choose to be involved because they care about the welfare of their employees, their customers, their community, and their planet.

**2. If you were appointed to conduct a social audit of PortionPac, what type of information would you collect? What questions would you ask? Explain your answer.**

Students' answers will vary. Some possible questions include: What are the potential short- and long-term environmental effects of our products? What are we doing to educate employees and customers about how to use our products safely? Are our policies and practices promoting ethical decisions on the part of our workforce and our suppliers? What procedures are employees expected to follow if they need to report suspected violations of our ethical standards, and how are such reports investigated?

**3. Do you agree with Marvin Klein's assessment of business ethics as a matter of common sense? Why or why not?**

Students who agree that business ethics is a matter of common sense may argue that ethical behavior should be the cultural norm in every business, organization, and industry. Businesspeople want to be treated fairly so they must act ethically in business situations. Students who disagree with Klein may say that because different businesses have different ethical codes, businesspeople can't rely solely on common sense to guide their decisions and

actions. These students may point out that individual factors also play a role in what businesspeople consider to be common sense.

## 2.7 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. Visit the website at <http://www.refresheverything/>.**

#### 1. Do you think this was an effective strategy for Pepsi? Do you think this resonated with the Millennial generation?

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, this project 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 its employees is clearly stated on its website. Its commitment to sustainability is also stated in several places on the website. On the other hand, Pepsi’s level of responsibility is not as clearly seen nor stated.

### 2. 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.

### 3. Researching Different Careers

Who is to say what is right and what is wrong? 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 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 because of the amount of freedom given to employees 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. the commitment of competitors.
  - e. no commitment.

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

1. T
2. F
3. T
4. T
5. F

#### Multiple-Choice

6. d
7. b
8. a
9. c
10. a

### Quiz II

#### True-False

1. F
2. T
3. F
4. T
5. F

#### Multiple-Choice

6. c
7. e
8. b
9. c
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; however, it relates best to Learning Objectives 3 and 4.

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 Pupster Dog Fashions. 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 website 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 website 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 website 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 website 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://www.wright.edu/sustainability/assets/100-ways.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.