Chapter 21: Values-Based Leadership

Ethics and Social Responsibility: Doing the Right Thing

Business Ethics

The fundamental moral values and behavioral standards that form the foundation for the people of an organization as they make decisions and interact with stakeholders

Key Stakeholders

- Employees
- Board of Directors
- Management
- Investors
- Suppliers
- Government
- Unions
- Customers
- Special Interest Groups
- Creditors
- General Public
- External Stakeholders

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Three Levels of Ethical Standards

- The law
- Organizational policies and procedures
- The moral stance employees take when faced with decisions not governed by formal rules

An Ethical Framework

Step 1. Recognize the ethical dimensions involved in the dilemma or decision
Step 2. Identify the key stakeholders involved and determine how the decision will affect them
Step 3. Generate alternative choices and distinguish between ethical and unethical responses
Step 4. Choose the “best” ethical response and implement it

Three Styles of Management

- Immoral management - driving force is greed
- Amoral management - does not consider ethical impact on others
- Moral management - sees the law as a minimum standard of behavior
The Benefits of Moral Management

- Earning a profit does not conflict with maintaining high ethical standards
- Avoid the damage to a company's reputation that results from unethical behavior
- Dealing with diverse stakeholders is easier with a solid ethical foundation
- Attracting and retaining quality workers is easier
- A company's ethical philosophy determines its ability to provide value for its customers

Why Ethical Lapses Occur

- An unethical employee
- An unethical organizational culture
- Moral blindness
- Competitive pressures
- Opportunity pressures
- Globalization of business

Establishing Ethical Standards

- The utilitarian principle
- Kant's categorical imperative
- The professional ethic
- The Golden Rule
- The television test
- The family test
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Maintaining Ethical Standards

- Create a company credo
- Develop a code of ethics
- Enforce the code fairly and consistently
- Conduct ethics training
- Hire the right people

Maintaining Ethical Standards

- Perform periodic ethical audits
- Establish high standards of behavior...not just rules
- Set an impeccable ethical example
- Create a culture that emphasizes two-way communication
- Involve employees in establishing ethical standards

Social Responsibility

Social responsibility - the awareness by a company's managers of the social environmental, political, human, and financial consequences its actions produce. Studies: Companies that incorporate social responsibility into their competitive strategies outperform those that fail to do so.
Business has a Social Responsibility to...

- The environment
- Employees
- Customers
- Investors
- The community

Responsibility to the Environment

The "Three R's":
- Reduce the amount of materials used in your company
- Reuse whatever you can
- Recycle the materials that you must dispose of

Responsibility to Employees

- Diversity
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### U.S. Population by Demographic Group

- White: 66.4%
- Hispanic: 16.6%
- Black: 13.2%
- Asian: 6.0%
- Native American and Alaska Native: 1.2%
- Pacific Islander: 0.3%

Source: U.S. Census Bureau, 2007

### SPLENDID Approach to Diversity

- Study
- Plan
- Lead
- Encourage
- Notice
- Discussion
- Inclusion
- Dedication

### Managing Diversity

- Assess your company’s diversity needs
- Learn to recognize your own biases and stereotypes
- Avoid making invalid assumptions
- Push for diversity in your management team
Managing Diversity

- Concentrate on communication
- Make diversity a core value in the organization
- Continue to adjust your company to your workers

Responsibility to Employees

- Diversity
- Drug testing

A Drug Prevention Program Should Include . . .

- A written substance abuse policy
- Training supervisors to detect drug-using workers
- An employee education program
- A drug testing program, when necessary
- An employee assistance program (EAP)
Responsibility to Employees

- Diversity
- Drug testing
- AIDS

An AIDS Policy Should Address ...

- Employment
- Discrimination
- Employee benefits
- Confidentiality
- Education
- “Reasonable accommodations”

Responsibility to Employees

- Diversity
- Drug testing
- AIDS
- Sexual harassment
Sexual Harassment

- Any unwelcome sexual advance, request for sexual favors, or other verbal or physical sexual conduct made explicitly or implicitly as a condition of employment
- 85% of sexual harassment cases are filed by women
- Harassment can take several forms

Behavior Leading to Sexual Harassment Charges

- Quid Pro Quo (“something for something”) harassment
- Hostile environment
- Harassment by non-employees

Number of Sexual Harassment Charges Filed


- 2,000
- 4,000
- 6,000
- 8,000
- 10,000
- 12,000
- 14,000
- 16,000

Year


Number of Charges Filed
Preventing Sexual Harassment

- Education
- Policy
- Procedure
  - Listen without judging
  - Investigate complaints promptly
  - Interview parties involved and witnesses
  - Maintain confidentiality
  - Follow company policy
  - Inform both parties of actions taken
  - Document the investigation

Responsibility to Employees

- Diversity
- Drug testing
- AIDS
- Sexual harassment
- Privacy

Responsibility to Customers

- Right to safety
- Right to know
- Right to be heard
- Right to education
- Right to choice

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