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Trinity Saint David

Principles of Managing Organisations

Lecture 10:

**Ethics &
Corporate Social
Responsibility**





Last time we....

1. Examined importance of control in organisations
2. Looked at the different types of control
3. Assessed what makes an effective management control system
4. Explained power and management control, and review the different perspectives
5. Assessed the nature and impact of financial and accounting control systems
6. Explored the concept of empowerment and the manager-subordinate relationship
7. Examined delegation and its benefits
8. Recognised the human and social factors that influence how people behave

Today's Objectives



1. To explain the significance of organisational ideologies and principles
2. To review the nature and value of mission statements
3. To examine the importance of the profit motive
4. To assess concepts of corporate social responsibilities and organisational stakeholders
5. To explore approaches to the consideration of values and ethics in organisations
6. To evaluate the nature and scope of codes of business or professional conduct
7. To review the importance of corporate social responsibilities and business ethics for the management of work organisations

Ethics & Corporate Social Responsibility in action

<https://youtu.be/xLx4fVsYdTI>



Ethical behaviour in the news?

- Parliament & sexism
- The BBC
- Kevin Spacey /Harvey Weinstein
- Gender pay gap
- Plastic straws/coffee cups

<https://youtu.be/KRFofwu-0o4>

- US High School shootings – arm teachers?
- 45 leading festivals – women's participation

Ethical dilemmas – What would you do?



- You believe that a parent has lied about their address to get a child into a local school. Would you tell?
- You see a golfer move their ball during a round – would you tell?
- You see someone shoplifting in a store – would you tell?

You walk down the street and find:

- 50p;
- £5;
- £50;
- £1000
- - keep? (Yes/No)
- The money was in a wallet with the owner's name and address inside. Any difference?
- The person's name suggest that they are:
rich;
a pensioner;
a single parent
- People see you find the money. Now?



Why study corporate responsibility?

- Corporate practice affects wider society
 - corruption, pollution, ‘rewards for failure’, etc.
- Practice reflects assumptions about acceptability
- As expectations change, established practices add less value
- Managers face ethical AND commercial dilemmas
- Thinking critically means questioning assumptions, and considering contexts, alternatives and limitations



Perspectives on individual actions

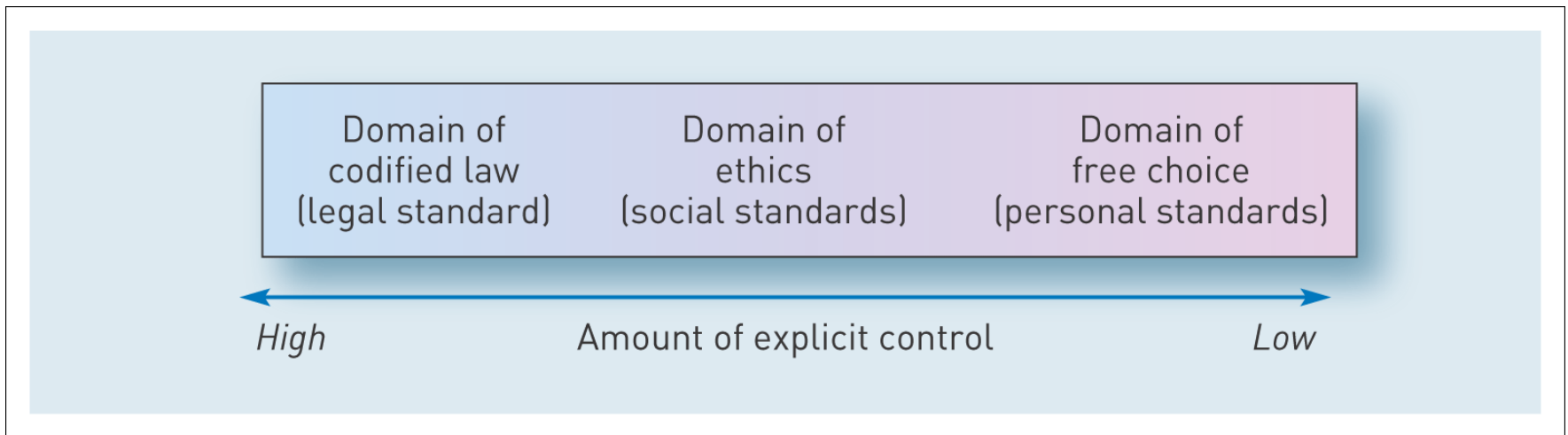


Figure 5.1 Three domains of human action

Source: From *Management*; 5th edition by Daft (2000). © Copyright 2000. Reprinted with permission of South-Western, a division of Thomson Learning



Rana Plaza, Bangladesh April 2013



<http://youtu.be/3MSL2WUGYuo>

http://www.youtube.com/watch?feature=player_embedded&v=6cLjdqI_1KA

Organisational ideologies and principles: Brech



- Ethical foundation
 - Basic principles governing the external and internal relations of the organisation
 - Include standards of fair trading and fair employment.
- Organisational or operational foundation
 - The structure, operation and conduct of organisational activities
 - Include methods of trading, distribution, production and managerial practices.

Organisational values and beliefs

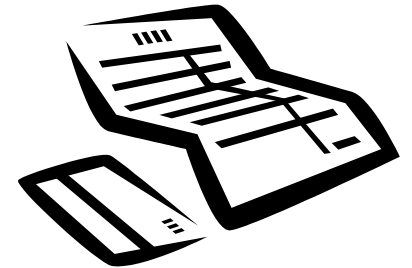
'A set of values is obviously a nice thing for an organisation to have; something to pin on the notice board.'

But for those organisations that have learned to walk the talk, deeply embedded values can attract the right people underpin the business in times of crisis and provide direction for the future'.

Lucas

Vision and mission statements

- A vision statement generally provides the overall frame of reference of what the organisation would like to reach and how it will look.
- The mission statement defines what the organisation aims to achieve, and its core business and activities.



Examples:



Disney: 'To make people happy'

Amazon: 'To be earth's most customer centric company; to build a place where people can come to find and discover anything they might want to buy online'

UWTSD



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- **Our Mission**

Transforming Education; Transforming Lives.

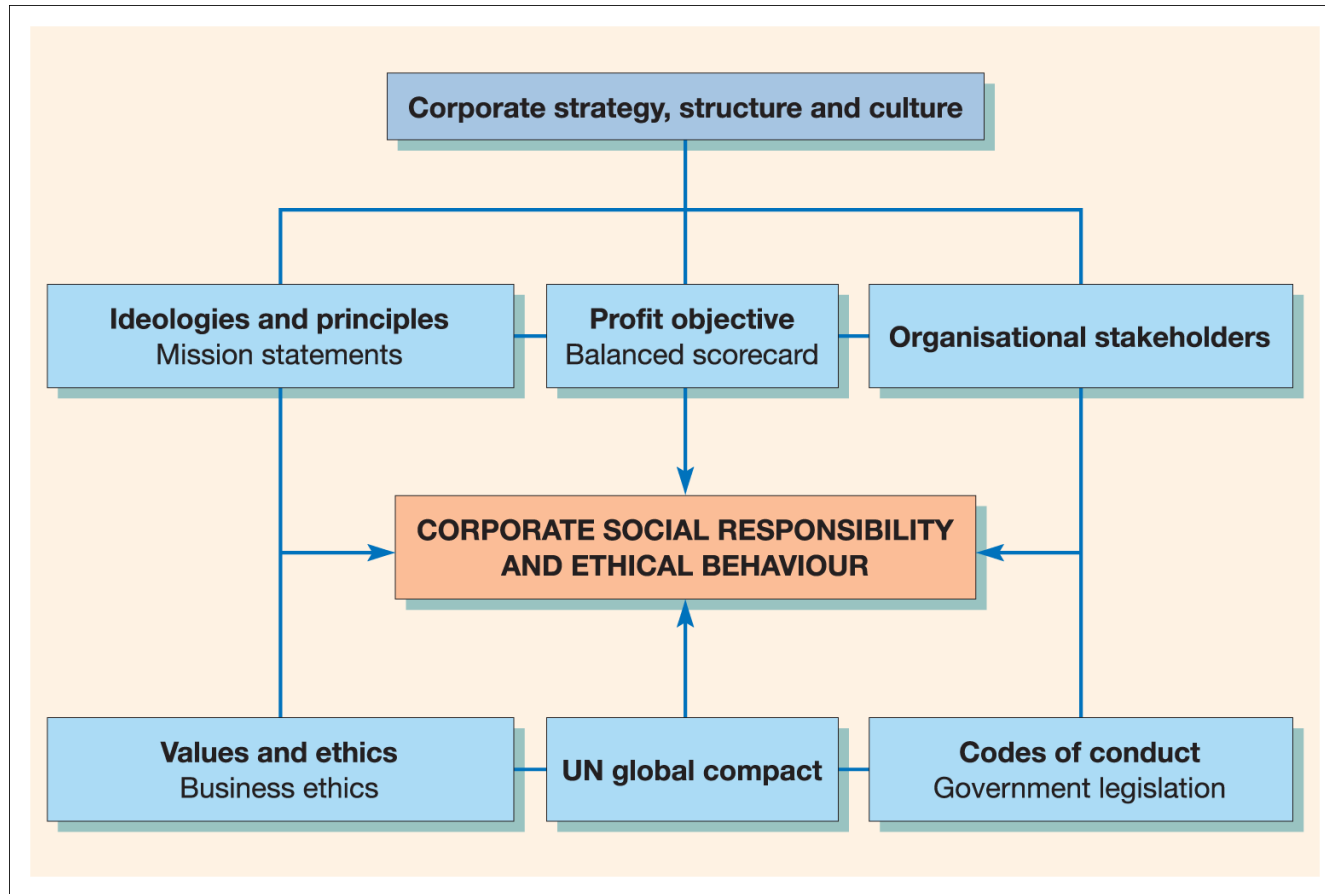
The learner is central to the University and the wider Group.

The education we deliver, underpinned by high quality research, will be distinctive; it will develop the minds and skills of our students, and also be inclusive, professional and employment-focused.

- **Our Vision**

To transform, shape and develop futures

Corporate social responsibility and ethical behaviour



The profit objective

- Three inextricably linked objectives exist for **business** organisations:
 - To survive
 - To maintain growth and development
 - To make a profit



Eight key areas for setting objectives: Drucker

- Market standing
- Innovation
- Productivity
- Physical and financial resources
- Profitability
- Manager performance and development
- Worker performance and attitude
- Public responsibility



Perspectives on corporate actions



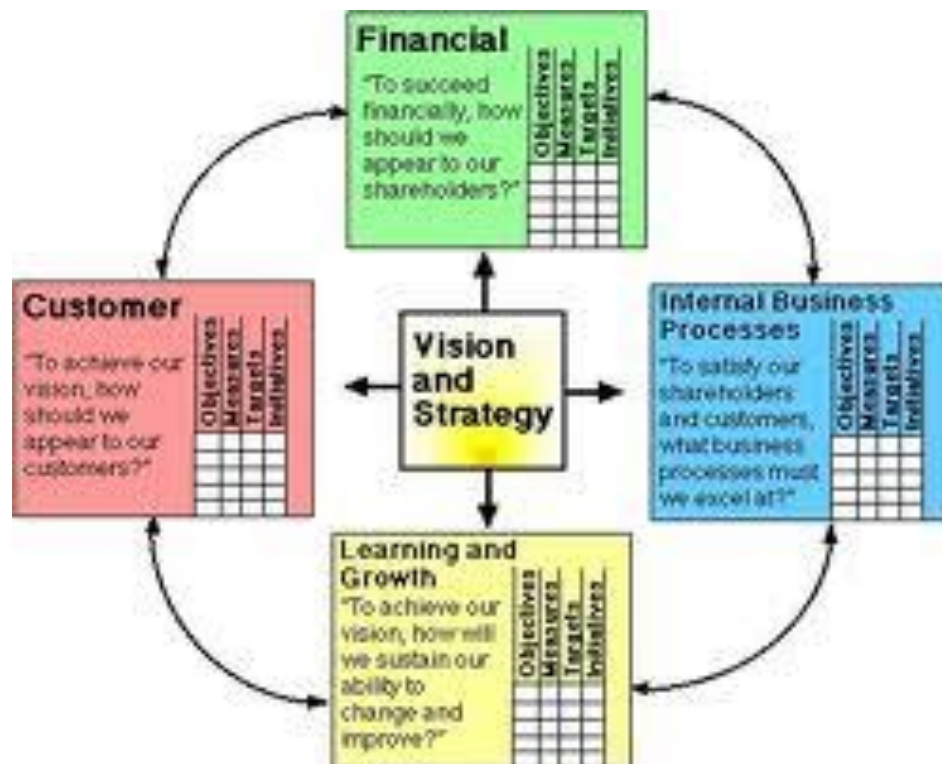
Figure 5.3 A range of corporate responsibilities

Source: Carroll (1999)

The balanced scorecard

It combines qualitative and quantitative indicators of performance which:

- recognises the expectations of various stakeholders and;
- relates performance to a choice of strategy;
- as a basis for evaluating organisational effectiveness.



Corporate social responsibilities (CSRs)



‘Corporate social responsibility(CSR) is about understanding your business’ impact on the wider world and considering how you can use this impact in a positive way.

CSR can also be good for your bottom line. It means taking a responsible attitude, going beyond the minimum legal requirements and following straightforward principles that apply whatever the size of your business’.

Organisational stakeholders

Stakeholders can be considered under six main headings:

- Employees
- Providers of finance
- Customers
- Community and environment
- Government
- Other organisations and groups



Activity:

What do they expect from an organisation?



- Employees
- Providers of finance
- Customers
- Community and environment
- Government
- Other organisations and groups

The UN global compact

This contains 10 principles for businesses under four main headings:

- **Human rights**
 - Businesses support and respect internationally proclaimed human rights;
 - make sure that they are not complicit in human rights abuses.
- **Labour standards**
 - Businesses uphold freedom of association and recognise the right to collective bargaining;
 - eliminate forced and compulsory labour;
 - abolish child labour;
 - eliminate discrimination in respect of employment and occupation.
- **Environment**
 - Businesses support a precautionary approach to environmental challenges;
 - undertake initiatives to promote greater environmental responsibility;
 - encourage environmentally friendly technologies.
- **Anti-corruption**
 - Businesses work against corruption in all its forms, including extortion and bribery.



Ethics and business

Ethics



- It is to do with good and bad, or right and wrong.
- It seeks to understand what makes some things good and others bad.
- In ways that can be generalised to other cases.
- Business ethics is an example of applied ethics.
- It seeks to explore the implications of general ethics for the conduct of business.

Judging whether a decision is ethical

- **Moral principles**
 - In line with accepted principles?
- **Utilitarianism**
 - Best outcome for the greatest number?
- **Human rights**
 - Does it maintain individual's human rights?
- **Individualism**
 - In an individual's long-term interests?



Questions within each philosophy

Philosophy	Questions
Moral principle	Who determines that a moral principle is 'generally accepted'? What if others claim that a principle leading to a different decision is equally 'accepted'?
Utilitarianism	Who determines the majority, and the population of which it is the greatest number? Is the benefit assessed over the short term or long term?
Human rights	Actions usually involve several people – what if the decision would protect the rights of some but breach the rights of others? How to balance them?
Individualism	Whose self-interest comes first? What if the action of one damages the self-interest of another?

Table 5.3 Questions within each philosophy

Why people reach different conclusions

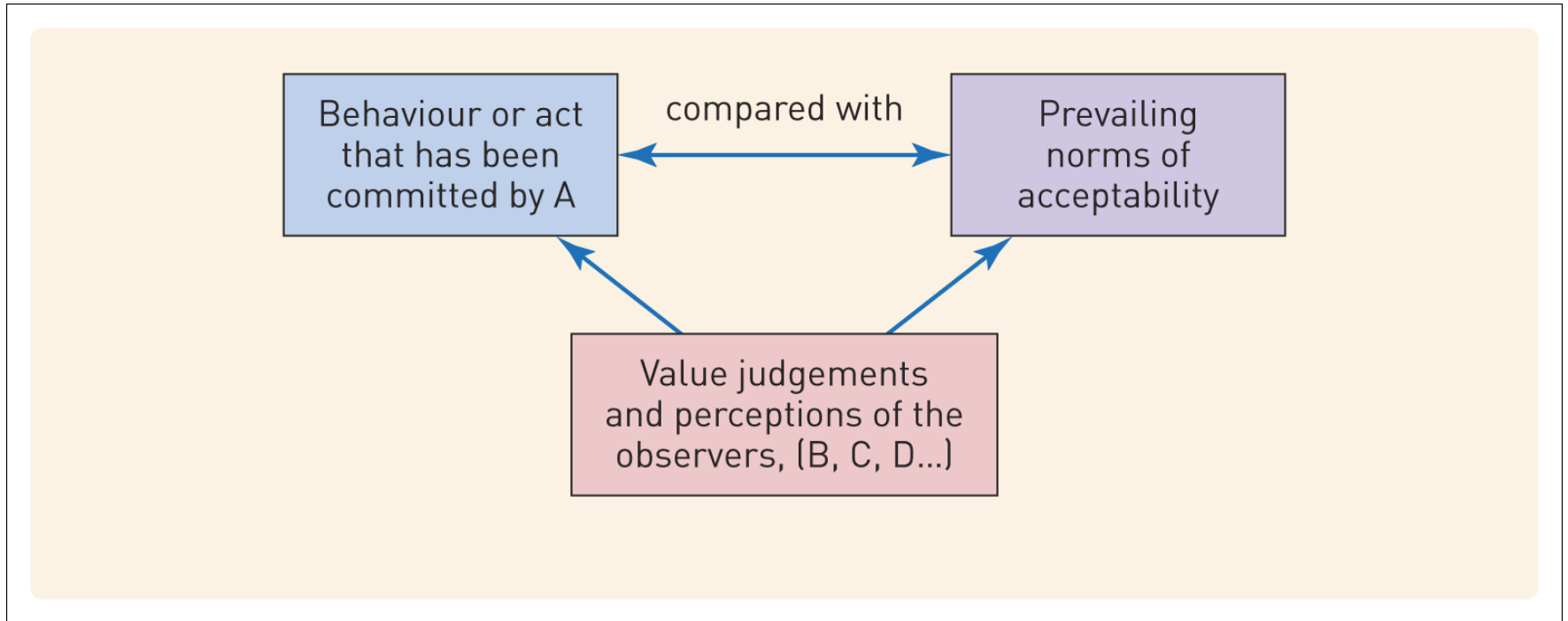


Figure 5.2 Making ethical judgements

Source: Adapted from Carroll (1989)

Role of business in society



- **Milton Friedman (1962)**
 - To increase profits as long as it stays within the rules of the game (no deception or fraud)
- **Corporate responsibility**
 - Business and society depend on each other, and have mutual obligations
 - Pressure groups and advocates help ensure that public expectations of business change
 - Expectations vary between countries



Ethical decision-making models

- Attempt to place individual decisions within the wider context that will shape them
- They examine the effects of *both*
 - **Individual factors**
 - Personal value systems, beliefs
 - **Organisational factors**
 - Power distribution, incentives and rewards



A simple ethical decision model

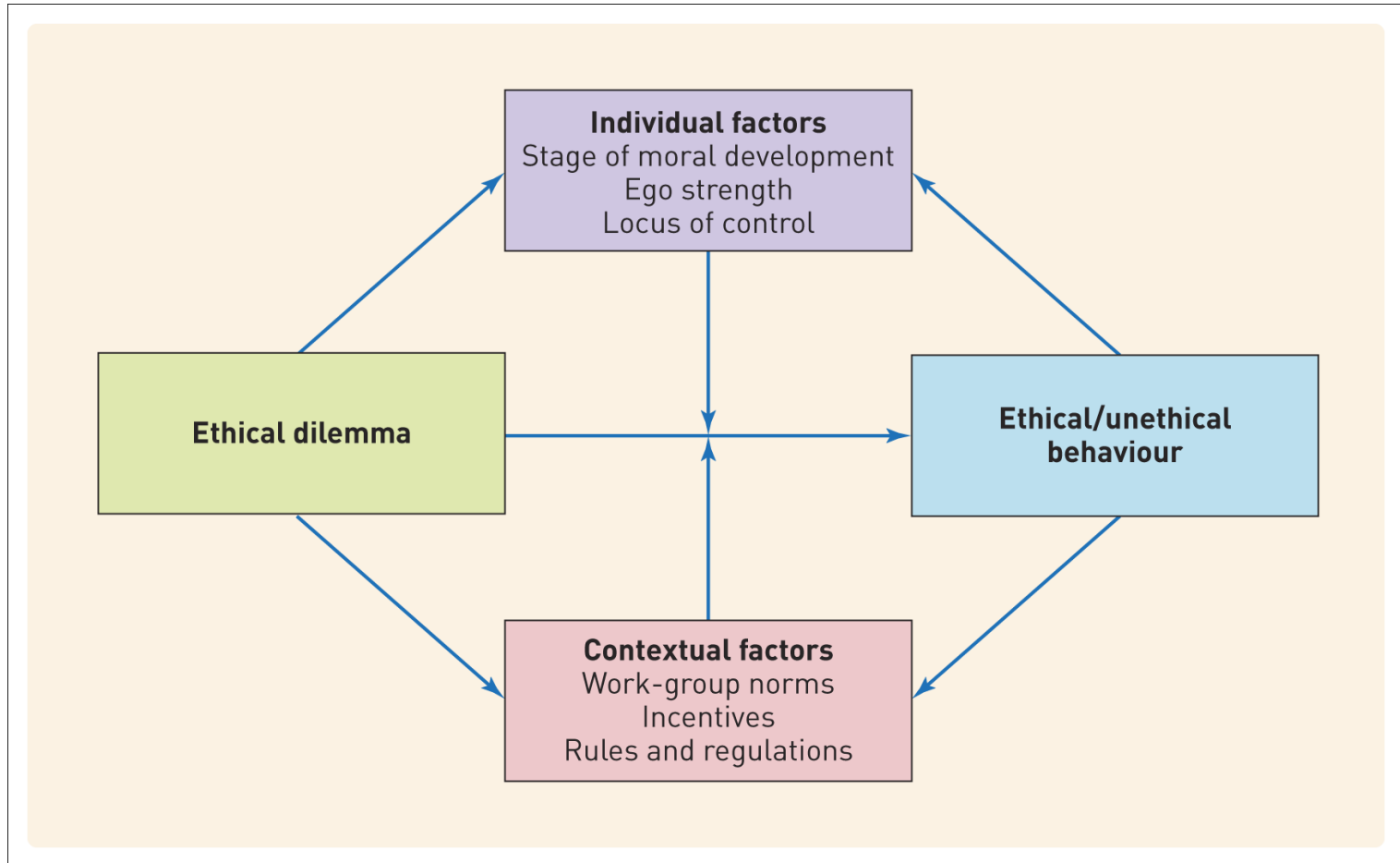


Figure 5.4 A simple model of ethical decision making

Stakeholders and corporate responsibility



Stakeholder theory offers a way of managing that recognises conflicting interest groups:

- Shareholders, customers, suppliers, natural environment
- Companies take different positions on responsibility
- Processes of mutual influence between managers and stakeholders shape policies

Stakeholders and corporate responsibility

- Stakeholders' interests shape policy -Vogel (2005) on the 'market for virtue' – responsible actions need to be financially sustainable.

Examples of responsible action are:

- corporate mission
 - The Body Shop
- to meet customer needs
 - Fair Trade goods
- part of strategy
 - M&S



Ethics and corporate social responsibility



Shareholder-centred view

- Directors act as agents of the owners
- There is a duty to maximise owner wealth
- Other tests of ethical behaviour include common decency and distributive justice

Stakeholder view

- A wide range of stakeholder groups have an interest in the business
- These groups should be taken into account by a business
- Shareholders are just one such group
- A business may be accountable to stakeholders

Codes of business conduct (or ethics)



Codes of conduct:

- play an important role in fostering ethical conduct by sending clear guidance to employees;
- may arise from a distillation of the knowledge and experience of the organisation over many years;
- may be particularly helpful to junior or less experienced staff;
- may need to be updated on a regular basis.

IBM's Business Conduct Guidelines

on:

- Speaking up
- In the workplace
- In the marketplace
- On your own time
- Further guidance



Public sector principles

- Honesty
- Integrity
- Objectivity
- Accountability
- Openness
- Personal judgment
- Respect for others
- Uphold the law
- Leadership





Related legislation



- **Human Rights Act 1998**
 - liberties enshrined in the European Convention on Human Rights.
- **Public Interest Disclosure Act 1998**
 - the 'Whistleblower's Act' provides some protection to those who expose organisational wrongdoing by their employer.
- **Local Government Act 2000**
 - requires local authorities to promote high standards of behaviour in public services.
- **The Freedom of Information Act 2000**
 - offers public access to information held by public authorities; the 'right to know'.
- **The Corporate Manslaughter and Corporate Homicide Act 2007**
 - clarifies criminal liabilities of companies where a serious failure in the management of health and safety results in a fatality.
- **The Bribery Act 2010**
 - consolidates and modernises the law on bribery in both public and private sectors.
- **The Equality Act 2010**
 - covers areas of discrimination and helps achieve equal opportunities in the workplace and in wider society.

Conclusion

- Models summarise alternative expectations of business in society and enable people to:
 - Question the assumptions about that role that lie behind corporate policies
- Consider their suitability, given conflicts between
 - Local pressure for responsible (more costly) behaviour
 - A global economy with many different assumptions
- Companies create structures of corporate governance to resolve these dilemmas
 - They too reflect assumptions about contexts and stakeholder representation

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Tutorial: A1 due 15 March

Assignment 1 Briefing

Further practice using the 10
roles model

Advice re: next week

