Chapter 3: Ethics and Social Responsibility

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Learning Outcomes

**LO¹** Explain the determinants of a civil society

**LO²** Explain the concept of ethical behavior

**LO³** Describe ethical behavior in business
Learning Outcomes

**LO⁴** Discuss corporate social responsibility

**LO⁵** Describe the arguments for and against social responsibility

**LO⁶** Explain cause-related marketing
Civil Society

LO1

Explain the determinants of a civil society.
Civil Society

Six Modes of Social Control

- Ethics
- Self Regulation
- Laws
- The Media
- Formal and Informal Groups
- Active Civil Society
Review Learning Outcome

Explain the Determinants of a Civil Society

The “social glue” that holds a society together is comprised of six factors: ethics, laws, formal and informal groups, self regulation, the media, and an active civil society.
Ethical Behavior

LO^2

Explain the concept of ethical behavior.
Ethical Behavior

Ethics

The moral principles or values that generally govern the conduct of an individual.
Ethical Theories

People usually base their individual choice of ethical theory on their life experiences

• Deontology
• Utilitarianism
• Casuist
• Moral Relativists
• Virtue Ethics
Review Learning Outcome

LO2

Explain the Concept of Ethical Behavior

Ethical conflicts for business owners, managers, customers, workers, and the communities can sometimes be resolved through the reliance on ethical theories such as deontology, utilitarianism, casuist, moral relativism, and virtue ethics.
Ethical Behavior in Business

Describe ethical behavior in business.
Ethical Behavior in Business

Morals – The rules people develop as a result of cultural values and norms.
Ethical Development Levels

Preconventional Morality
- Based on what will be punished or rewarded
- Self-centered, calculating, selfish

Conventional Morality
- Moves toward the expectations of society
- Concerned over legality and the opinion of others

Postconventional Morality
- Concern about how they judge themselves
- Concern if it is right in the long run

More Childlike
More Mature
Ethical Decision Making

Influential Factors

- Extent of Problems
- Probability of Harm
- Top Management Actions
- Time Until Consequences
- Potential Consequences
- Number Affected
- Social Consensus
Code of Ethics

Code of Ethics - A guideline to help marketing managers and other employees make better decisions.
Creating Ethical Guidelines

• Helps identify acceptable business practices

• Helps control behavior internally

• Avoids confusion in decision making

• Facilitates discussion about right and wrong
Ethical Guidelines and Training

- Does the decision benefit one person or group but hurt or not benefit other individuals or groups? In other words, is my decision fair to all concerned?
- Would individuals or groups, particularly customers, be upset if they knew about my decision?
- Has important information been overlooked because my decision was made without input from other knowledgeable individuals or groups?
- Does my decision presume that my company is an exception to a common practice in this industry and that I therefore have the authority to break a rule?
- Would my decision offend or upset qualified job applicants?
- Will my decision create conflict between individuals or groups within the company?
- Will I have to pull rank or use coercion to implement my decision?
- Would I prefer to avoid the consequences of my decision?
- Did I avoid truthfully answering any of the above questions by telling myself that the risks of getting caught are low or that I could get away with the potentially unethical behavior?
Describe the Role of Ethics and Ethical Decisions in Business

MORALITY

Preconventional
What’s in it for me?
Will I get caught?

Conventional
Everyone else is doing it!
When in Rome...

Postconventional
Is this good in the long run?

ETHICAL CLIMATE

TOP-MANAGEMENT’S ETHICS
MAGNITUDE OF CONSEQUENCES
SOCIAL CONSENSUS
PROBABILITY OF HARM
LENGTH OF TIME BETWEEN DECISION AND IMPACT
NUMBER OF PEOPLE AFFECTED
ETHICAL TRAINING
Discuss corporate social responsibility.

LO4
The idea that socially responsible companies will outperform their peers by focusing on the world’s social problems and reviewing them as opportunities to build profits and help the world at the same time.
Review Learning Outcome

Discuss Corporate Social Responsibility

- **Philanthropic**
  - Be a good citizen.

- **Ethical**
  - Do what is right.

- **Legal**
  - Obey the Law.

- **Economic**
  - Be profitable.
Arguments Against and For Corporate Social Responsibility

Describe the arguments for and against social responsibility.
Arguments Against Social Responsibility

• Businesses should focus on making a profit and leave social and environmental concerns to nonprofits

• Businesses don’t have the expertise to deal with social issues and doing so may interfere with the primary goals of their firms

• The expense of social responsibility may damage the country in the global marketplace
Arguments for Social Responsibility

• It is the right thing to do

• Business should police itself to avoid government intervention

• Small companies can prosper and build shareholder value as they tackle social problems
### Arguments for and Against Social Responsibility

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<th>FOR</th>
<th>AGAINST</th>
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<tr>
<td>On the one hand:</td>
<td>On the other hand:</td>
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<tr>
<td>• it’s the right thing to do</td>
<td>• the job of the corporation is to maximize profits for stockholders</td>
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<td>• government will create new regulations and levy fines if firms aren’t socially responsible</td>
<td>• businesses are better suited to produce goods and services and not to be involved in welfare services</td>
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<td>• it can enhance a company’s profitability</td>
<td>• if global competitors don’t have to be socially responsible, they will have lower costs and can compete more effectively in the global marketplace</td>
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Cause-Related Marketing

Explain cause-related marketing.
Cause-Related Marketing

The cooperative efforts of a “for-profit” firm and a “non-profit” organization for mutual benefit.
Cause-Related Marketing

“Five Questions to Ask Before Participating in a Cause-Related Marketing Program”

• Is this company committed?
• How is the program structured?
• Who does the program benefit?
• How will the organization that benefits use my money?
• Is the program meaningful to me?
Review Learning Outcome

Explain Cause-Related Marketing

Can enhance for-profit corporation's reputation and raise profits.

Cause-related Marketing:
Cooperative effort between for-profit and non-profit organizations

Non-profit receives financial support and publicity for cause.