

GLOBAL
EDITION



Strategic Management

Concepts and Cases

FIFTEENTH EDITION

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Chapter Three

Ethics/Social Responsibility/ Sustainability



Social Responsibility, Environmental Sustainability

- **Social responsibility**

- actions an organization takes beyond what is legally required to protect or enhance the well-being of living things

- **Sustainability**

- the extent that an organization's operations and actions protect, mend, and preserve rather than harm or destroy the natural environment

Business Ethics

- **Business ethics**

- principles of conduct within organizations that guide decision-making and behavior

Seven Principles of Admirable Business Ethics

TABLE 3-1 Seven Principles of Admirable Business Ethics

1. Be trustworthy, because no individual or business wants to do business with an entity they do not trust.
 2. Be openminded, continually asking for “ethics-related feedback” from all internal and external stakeholders.
 3. Honor all commitments and obligations.
 4. Do not misrepresent, exaggerate, or mislead with any print materials.
 5. Be visibly a responsible community citizen.
 6. Utilize your accounting practices to identify and eliminate questionable activities.
 7. Follow the motto: Do unto others as you would have them do unto you.
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Code of Business Ethics

- To ensure that the code of ethics is read, understood, believed, and remembered, periodic ethics workshops are needed to sensitize people to workplace circumstances in which ethics issues may arise

An Ethics Culture

- **Whistle-blowing**

- refers to policies that require employees to report any unethical violations they discover or see in the firm

An Ethics Culture

- Ethics training programs should include messages from the CEO or owner of the business emphasizing ethical business practices, the development and discussion of codes of ethics, and procedures for discussing and reporting unethical behavior

Bribes

- **Bribery**

- the offering, giving, receiving, or soliciting of any item of value to influence the actions of an official or other person in discharge of a public or legal duty
- is a crime in most countries of the world, including the United States

Social responsibility

- Ralph Nader proclaims that organizations have tremendous social obligations.
- Milton Friedman asserts that organizations have no obligation to do any more for society than is legally required.

Social Policy

- **Social policy**

- concerns what responsibilities the firm has to employees, consumers, environmentalists, minorities, communities, shareholders, and other groups
- Firms should strive to engage in social activities that have economic benefits

Environmental Sustainability

- Employees, consumers, governments, and society are especially resentful of firms that **harm** rather than **protect** the natural environment
- Conversely people today are especially **appreciative** of firms that conduct operations in a way that mends, conserves, and preserves the natural environment

Managing Environmental Affairs in the Firm

- Environmental strategies can include:
 - developing or acquiring green businesses
 - divesting or altering environment-damaging businesses
 - striving to become a low-cost producer through waste minimization and energy conservation
 - pursuing a differentiation strategy through green-product features

Reasons Why Firms Should “Be Green”

1. Consumer demand for environmentally safe products and packages is high.
2. Public opinion demanding that firms conduct business in ways that preserve the natural environment is strong.
3. Environmental advocacy groups now have over 20 million Americans as members.
4. Federal and state environmental regulations are changing rapidly and becoming more complex.

Reasons Why Firms Should “Be Green”

- 5.** More lenders are examining the environmental liabilities of businesses seeking loans.
- 6.** Many consumers, suppliers, distributors, and investors shun doing business with environmentally weak firms.
- 7.** Liability suits and fines against firms having environmental problems are on the rise.

Be Proactive, Not Reactive

- A proactive policy views environmental pressures as opportunities and includes such actions as developing green products and packages, conserving energy, reducing waste, recycling, and creating a corporate culture that is environmentally sensitive.

ISO 14000/14001 Certification

- The **ISO 14000** family of standards concerns the extent to which a firm **minimizes harmful effects** on the environment caused by its activities and continually **monitors** and **improves** its own environmental performance.

ISO 14000/14001 Certification

- **ISO 14001** is a set of standards adopted by thousands of firms worldwide to certify that they are conducting business in an environmentally friendly manner
- Results in an environmental management system

Major Requirements of an EMS

- Show commitments to prevention of pollution, continual improvement in overall environmental performance, and compliance with all applicable statutory and regulatory requirements

Major Requirements of an EMS

- Identify all aspects of the organization's activities, products, and services that could have a significant impact on the environment, including those that are not regulated

Major Requirements of an EMS

- Set performance objectives and targets for the management system that link back to three policies: (1) prevention of pollution, (2) continual improvement, and (3) compliance

Major Requirements of an EMS

- Meet environmental objectives that include training employees, establishing work instructions and practices, and establishing the actual metrics by which the objectives and targets will be measured

Major Requirements of an EMS

- Conduct an audit operation of the EMS
- Take corrective actions when deviations from the EMS occur