

BA 291 – BUSINESS ETHICS AND SOCIAL RESPONSIBILITY

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The Enron scandal



Enron Corporation is an energy trading, natural gas, and electric utilities company based in Texas. In just 15 years, Enron grew from nowhere to be America's seventh largest company, employing 21,000 staff in more than 40 countries.

Enron lied about its profits and stands accused of a range of shady dealings, including concealing debts so they didn't show up in the company's accounts.

As the depth of the deception unfolded, investors and creditors retreated, forcing the firm into Chapter 11 bankruptcy in December.

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The Lehman Brothers Collasp



In 2003 and 2004, Lehman acquired five mortgage lenders, including subprime lender BNC Mortgage and Aurora Loan Services, which specialized in Alt-A loans (made to borrowers without full documentation)

The collapse of Lehman Brothers Holdings Inc. (LEH) had a crippling effect on the global economy with the financial crisis escalating to other parts of the world. In the aftermath of this event, financial institutions froze lending activities thereby creating liquidity problems in the shadow banking financial system.

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Losses from Rice Deposit Campaign



The collapse of Royal Plaza Hotel 21 years ago.
137 people were killed, 227 people were injured.



- Ethics is concerned with what is good for individuals and society and is also described as moral philosophy.
- Ethics is value that govern the behaviors of a person or group.
- Ethics indicates what is right or wrong, good or bad.
- The concepts of ethics have been derived from religions, philosophies and cultures



- Law refers to a system of rules and guidelines, usually enforced through a set of institutions.
- Laws are the forcible means by which a government achieves its goals.
- Laws contain sanctions for those who do not obey. Subsidies, fines, and imprisonment are examples of mechanisms that may be used as the forcible sanction of a law

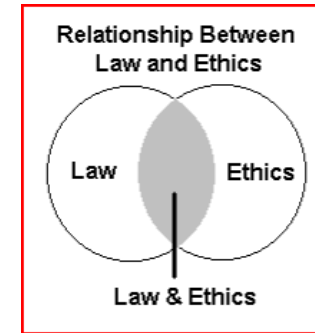
- Ethics are rules of conduct. Laws are rules developed by governments in order to provide balance in society and protection to its citizens.
- Ethics comes from people's awareness of what is right and wrong. Laws are enforced by governments to its people.
- Law is something you must obey. Ethics is how society expects you to behave.
- Laws carry with them a punishment for violations, ethics does not.
- Ethics comes from within a person's moral sense and desire to preserve his self respect, laws does not.
- People obey the laws in order to avoid the consequences, people behave ethically because they believe, it is a good way to do so.

Many people believe that if you are not breaking the law, then you are behaving in an ethical manner.

Are they right?



In some instances, law and ethics overlap and what is perceived as unethical is also illegal. In other situations, they do not overlap.



You are in: Health
Monday, 29 April, 2002, 12:31 GMT 13:31 UK

British woman denied right to die



Diane Pretty took her case to Europe in March

A terminally ill British woman has lost her final legal bid to be allowed to die.

The European Court of Human Rights ruled on 29 April that the refusal of the British courts to allow Diane Pretty's husband to help her to die did not contravene her human rights.

The ruling marks the end of the legal road for 43-year-old Mrs Pretty, who is in the advanced stages of motor neurone disease.

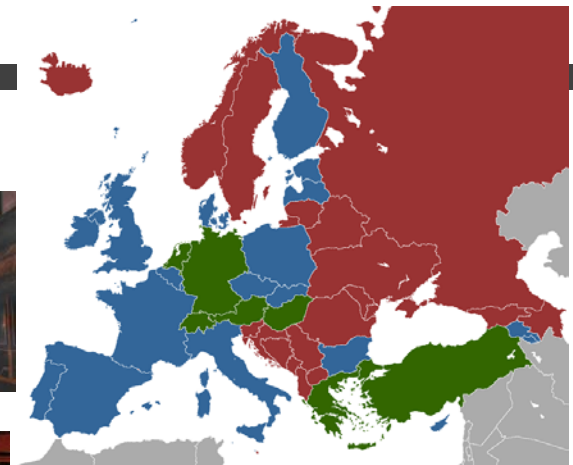
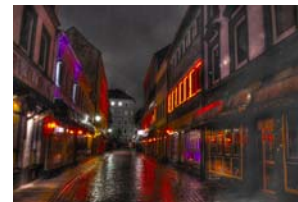
The verdict came just hours before it was announced that another woman - known as Miss B - had died after she had won her right to have medical treatment withdrawn.

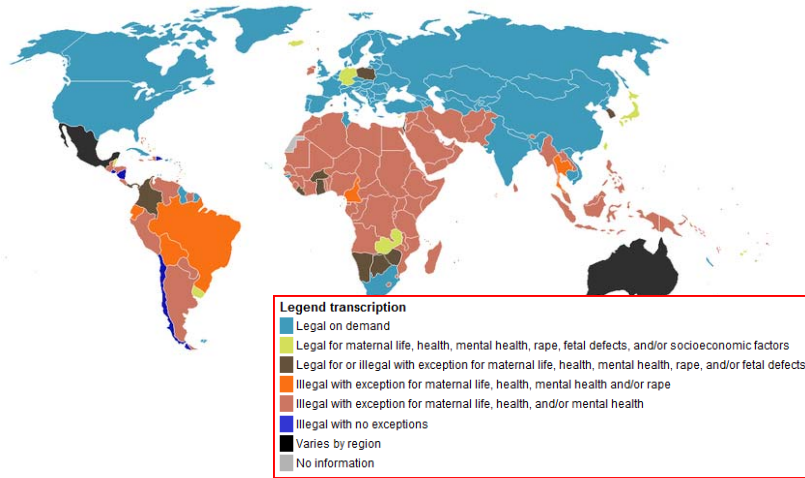
“The law has taken all my rights away”
Diane Pretty

Speaking at a news conference in London, Mrs Pretty's husband Brian criticised the ruling in her case and urged the public to back a campaign to lobby the government to change the law to allow voluntary euthanasia.

Mrs Pretty, who is paralysed from the neck down, also criticised the verdict. Speaking with the aid of a computer, she said: "The law has taken all my rights away."

Mr Pretty told journalists: "I am pleased in one respect because I have my wife with me a little longer but I am very sad because her choice on when she should die has been taken away from her."





An *ethical dilemma* is a situation that arises when all alternative choices or behaviors are deemed undesirable because of potentially negative consequences, making it difficult to distinguish right from wrong.

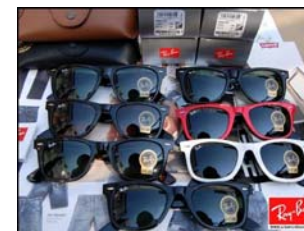
See Example. What would you do in these situations?



Examples of unethical and illegal organization behavior

Toward customers

- False or deceptive sales practice
- Submitting misleading invoices
- Fabricating product quality data



Examples of unethical and illegal organization behavior

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Toward employees

- Discriminating against employees
- Violating health and safety rules
- Sexual harassment



AVOID

Pregnancy, Disability, Racial & Age
DISCRIMINATION



Examples of unethical and illegal organization behavior

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Toward suppliers

- Accepting favors/ bribery
- Violating contract terms
- Paying without accurate records or invoices
- Unfair purchasing conditions

Examples of unethical and illegal organization behavior

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Toward financiers

- Falsifying financial reports
- Breaching database controls
- Using confidential information (industry insiders)



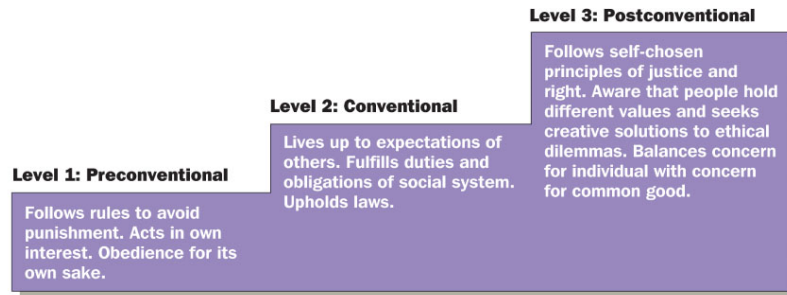
Examples of unethical and illegal organization behavior

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Toward environment and animals

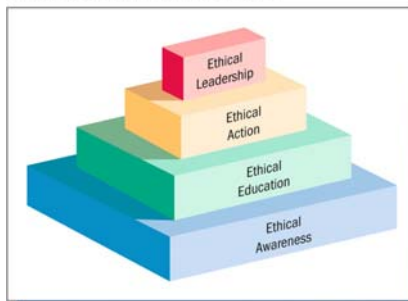


Foie gras is made from the grotesquely enlarged livers of ducks and geese who have been cruelly force-fed.



- Level 1 (Pre-Conventional)*
1. Obedience and punishment orientation
(How can I avoid punishment?)
 2. Self-interest orientation
(What's in it for me?)
(Paying for a benefit)
- Level 2 (Conventional)*
3. Interpersonal accord and conformity
(Social norms)
(The good boy/girl attitude)
 4. Authority and social-order maintaining orientation
(Law and order morality)
- Level 3 (Post-Conventional)*
5. Social contract orientation
 6. Universal ethical principles
(Principled conscience)

Structure of an Ethical Environment



Ethical Awareness

Code of Conduct : Formal statement that defines how the organization expects and requires employees to resolve ethical questions

Ethical Education

Codes of conduct cannot detail a solution for every ethical situation, so corporations provide training in ethical reasoning.

Ethical Action

Helping employees recognize and reason through ethical problems and turning them into ethical actions.

Ethical Leadership

Executives must demonstrate ethical behavior in their actions.

CSR – A concept whereby companies integrate social and environment concern in their business operations and in their interaction with their stakeholders on a voluntary basis.



"The idea is to balance the needs of people, the planet and the company's profits to create long-term share-holder value."

"People" pertains to fair and beneficial business practices toward labor and the community and region in which a corporation conducts its business.

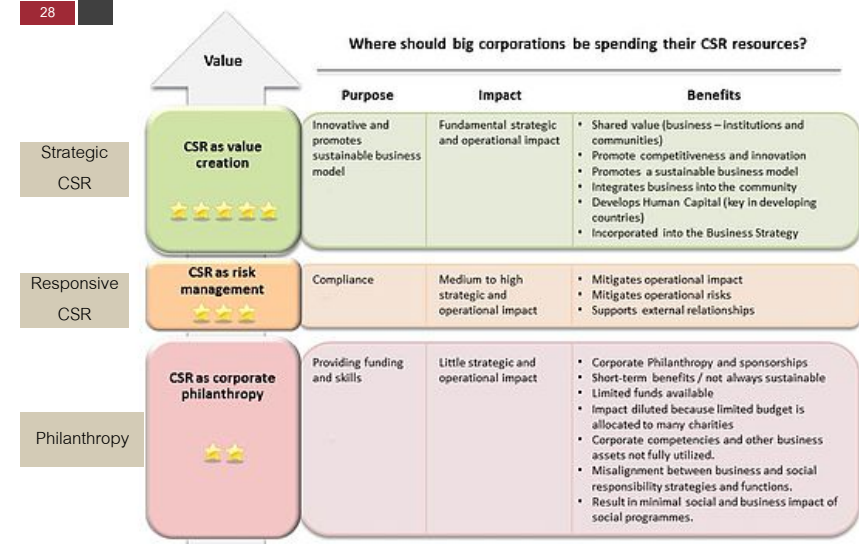
"Planet" refers to sustainable environmental practices, do no harm and minimize environmental impact, reduces its ecological footprint, carefully managing its consumption of energy and non-renewables and reducing manufacturing waste

"Profit" is the economic value created by the organization after deducting the cost of all inputs.



"Life is meaningless. Everyday, I repeat the same thing I did yesterday. We get yelled at all the time. It's very tough around here."

-Foxconn Employee



Corporate philanthropy is the widespread business practice of donating money, goods, and services to charitable causes.



Acting as a good corporate citizen and mitigating adverse or anticipated adverse effects from the business activity, essentially from company operations.



Strategic CSR moves beyond good corporate citizenship and mitigating harmful value chain impacts to mount a small number of initiatives whose social and business benefits are large and distinctive.



Social enterprises can be structured as a for-profit or non-profit, and may take the form of a co-operative, mutual organization, a social business, or charity organization.

Aravind Eye Hospital & Aurolab

Mission: Making medical technology and health care services accessible, affordable and financially self-sustaining



Example of Social Enterprise

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- Change.org
- Grameen Bank
- Playpumps
- Homeless magazine (The Big Issue)

The world's platform for change

52,293,263 จำนวนผู้ใช้ทั่วโลก คลิ๊กดูเรื่องราวแรงค์ที่สำเร็จทั้งหมด



Benefits from CSR

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- Increased sales and market share
- Strengthen brand positioning
- Improved corporate image and clout
- Increased ability to attract, motivate, and retain employees
- Decreased operating costs
- Increased appeal to investors and financial analysts



Benefits from CSR

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"88% of consumers said they were more likely to buy from a company that supports and engages in activities to improve society"

(UK Small Business Consortium)

"2,215 workers around the globe, found that employees are more likely to be "proud" of their company if it's engaged in good corporate behavior"

"Employees are more likely to decide to work for companies that are environmentally responsible"

"Employees are more likely to accept lower pay or a small role in an organization with sound corporate reputation"

(KelleyServices, 2010)