

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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Lehman Brothers



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Ethics

- 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

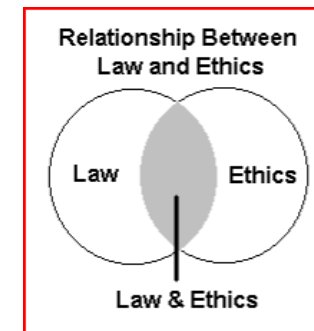
- Ethics are rules of conduct. Laws are rules developed by governments in order to provide balance in society and protection to its citizens
- Ethics comes from people's awareness of what is right and wrong. Laws are enforced by governments to its people
- A law is something you must obey. Ethics is 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.



Euthanasia (Mercy Killing)

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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

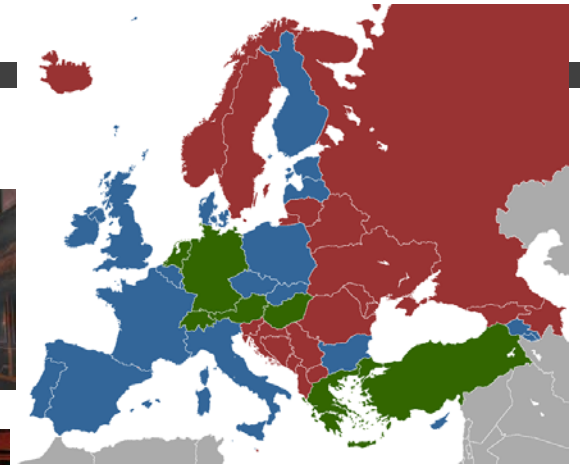
Speaking at a news conference in London, Mrs Pretty's husband Brian criticised the ruling in her case and urged the public to back a campaign to lobby the government to change the law to allow voluntary euthanasia.

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."

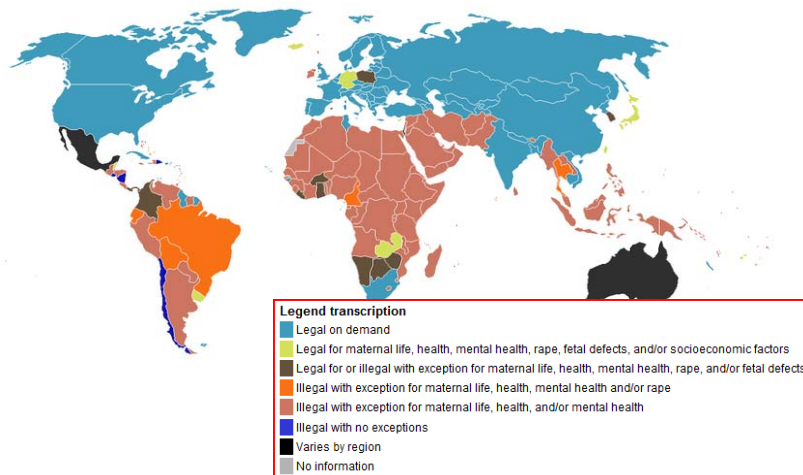
Prostitute

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Abortion

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Abortion

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Cost-Benefit Analysis

- Benefits
- Cost
- Timeliness
- Acceptability



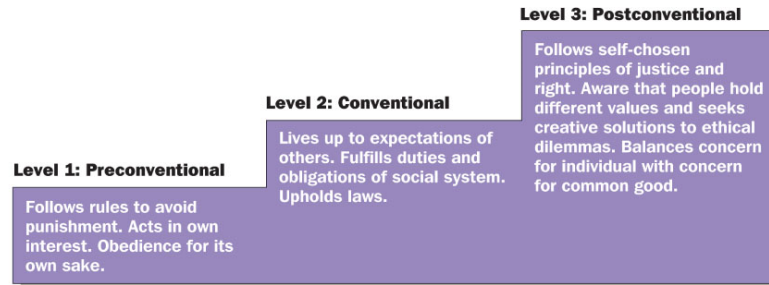
What about ethical soundness?

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.



Levels of personal moral development

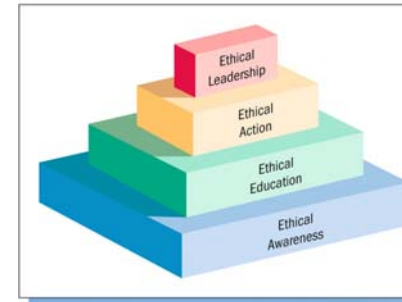
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Building ethical environment

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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.

Corporate Social Responsibility

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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."

Triple bottom line

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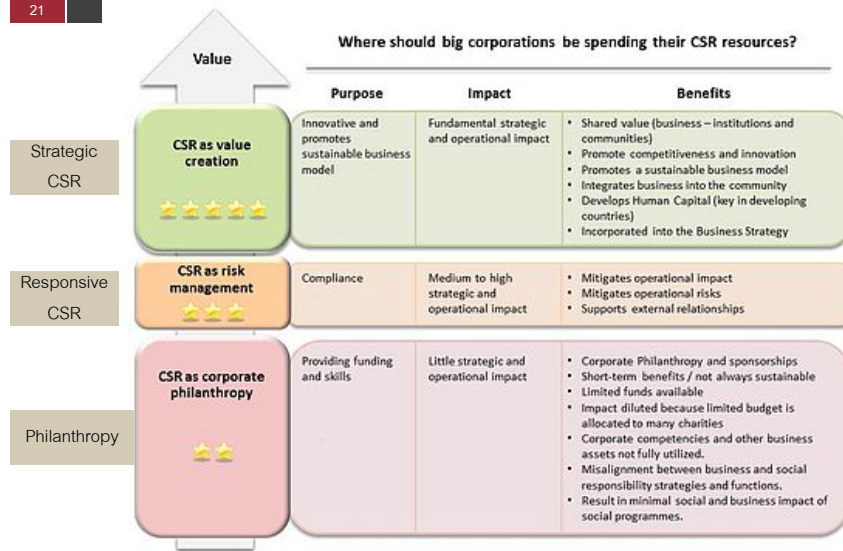
"People" pertains to fair and beneficial business practices toward labor and the community and region in which a corporation conducts its business.

"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.

CSR approach

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Philanthropy

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



Responsive CSR

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



Strategic CSR

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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.



- 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



"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)