

STRATEGIC CONCEPTS & CASES **MANAGEMENT**

A Competitive Advantage Approach

FOURTEENTH EDITION



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Business Ethics/ Social Responsibility/ Environmental Sustainability

Chapter Ten

Chapter Objectives

1. Explain why good ethics is good business in strategic management.
2. Explain how firms can best ensure that their code of business ethics guides decision making instead of being ignored.
3. Explain why whistle-blowing is important to encourage in a firm.
4. Discuss the nature and role of corporate sustainability reports.

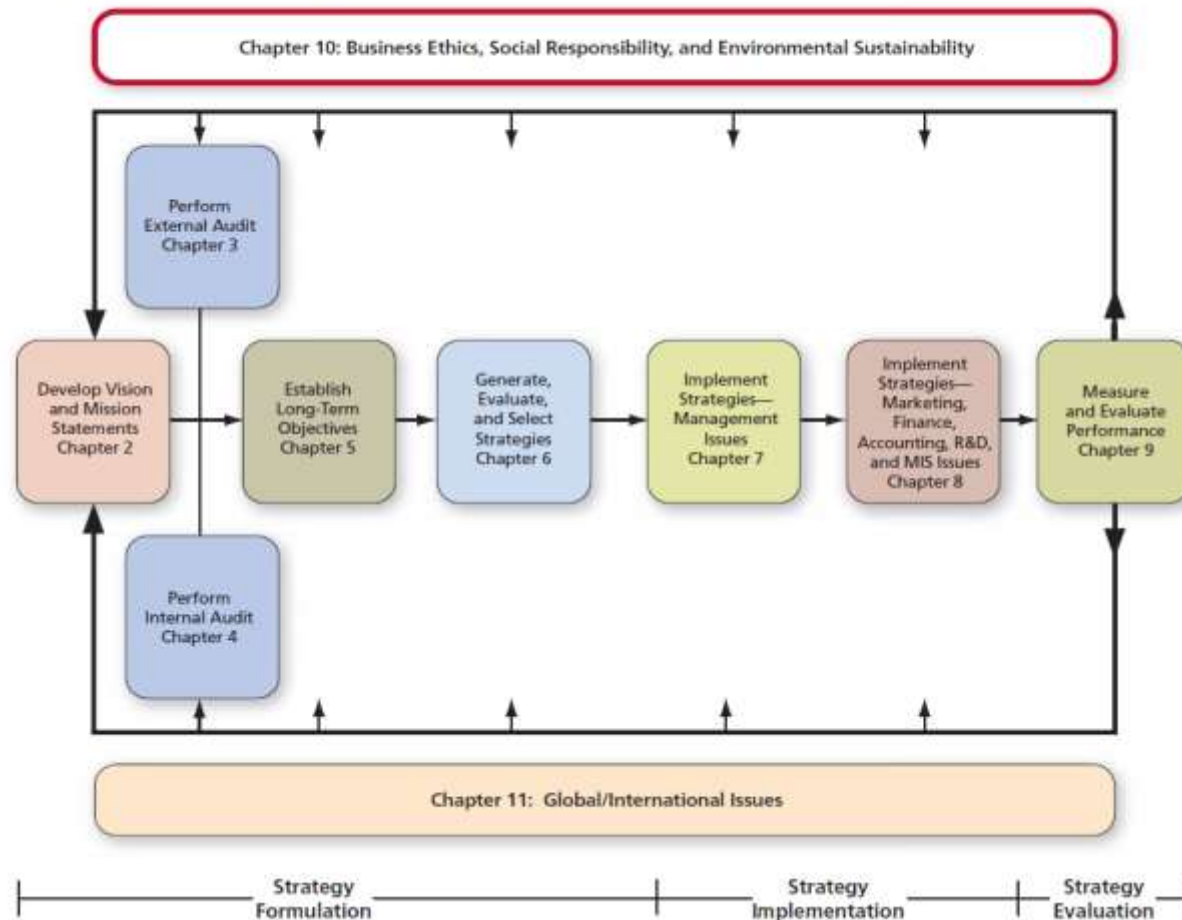
Chapter Objectives (cont.)

5. Discuss specific ways that firms can be good stewards of the natural environment.
6. Explain ISO 14000 and 14001.
7. Discuss recent trends in bribery law.

A Comprehensive Strategic-Management Model

FIGURE 10.1

A Comprehensive Strategic-Management Model



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 10-1 Seven Principles of Admirable Business Ethics

1. **Be Trustful:** Customers want to do business with a company they can trust. Customers can recognize when trust is at the core of a company. Simply defined, trust is assured reliance on the character, ability, strength, and truth of a business.
2. **Keep an Open Mind:** The leaders of an organization must be open to new ideas. Continually ask for opinions and feedback from both customers and employees to assure a good ethics culture.
3. **Meet Obligations:** Do everything possible to gain the trust of past customers and clients, particularly if something has gone awry. Reclaim any lost business by honoring all commitments and obligations.
4. **Have Clear Documents:** Make certain that all print materials such as advertising brochures and business documents are clear, precise, professional, and, most importantly, do not misrepresent or misinterpret.
5. **Become Community Involved:** Be actively involved in community-related issues and activities, continually demonstrating that your business is a responsible community citizen.
6. **Maintain Accounting Control:** View accounting and record keeping not only as a means for monitoring the progress of your company but as a resource for identifying and stopping any “questionable” activities.
7. **Be Respectful:** Treat others with the utmost of respect. Regardless of different positions, titles, ages, or beliefs, always treat others with professional respect and courtesy. Follow the Golden Rule: Do unto others as you would have them do unto you.

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

The Top 20 Companies in the World on Sustainability

TABLE 10-3 The Top 20 Companies in the World on Sustainability

Company	Country
1. General Electric (GE) Corp. (#1)	USA
2. PG & E Corp.	USA
3. Tnt Nv	Netherlands
4. H&M Hennes & Mauritz Ab	Sweden
5. Nokia Corp.	Finland
6. Siemens Ag	Germany
7. Unilever Plc	United Kingdom
8. Vodafone Group Plc	United Kingdom
9. Smiths Group Plc	United Kingdom
10. Geberit	Switzerland
11. Henkel Ag	Germany
12. Inditex Sa	Spain
13. Procter & Gamble Co.	USA
14. Toyota Motor Corp.	Japan
15. Westpac Banking Corp.	Australia
16. Enbridge Inc.	Canada
17. Koninklijke Phillips Electronics Na	Netherlands
18. Diageo Plc	United Kingdom
19. Nippon Yusen Kk	Japan
20. Royal Dutch Shell Plc	United Kingdom

Lack of Standards Changing

- ❖ **Uniform standards** defining environmentally responsible company actions are rapidly being incorporated into our legal landscape
- ❖ It has become more and more difficult for firms to make “**green**” claims when their actions are not substantive, comprehensive, or even **true**

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 to their constituencies 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

