



**The Manager's
Changing
Work Environment &
Ethical
Responsibilities:
Doing the Right Thing**

Chapter Three

Major Questions You Should Be Able to Answer

- 3.1** Who are the stakeholders important to me inside the organization?
- 3.2** Who are the stakeholders important to me outside the organization?
- 3.3** What does the successful manager need to know about ethics and values?
- 3.4** Is being socially responsible really necessary
- 3.5** How can I trust a company is doing the right thing?

The Community of Stakeholders Inside the Organization

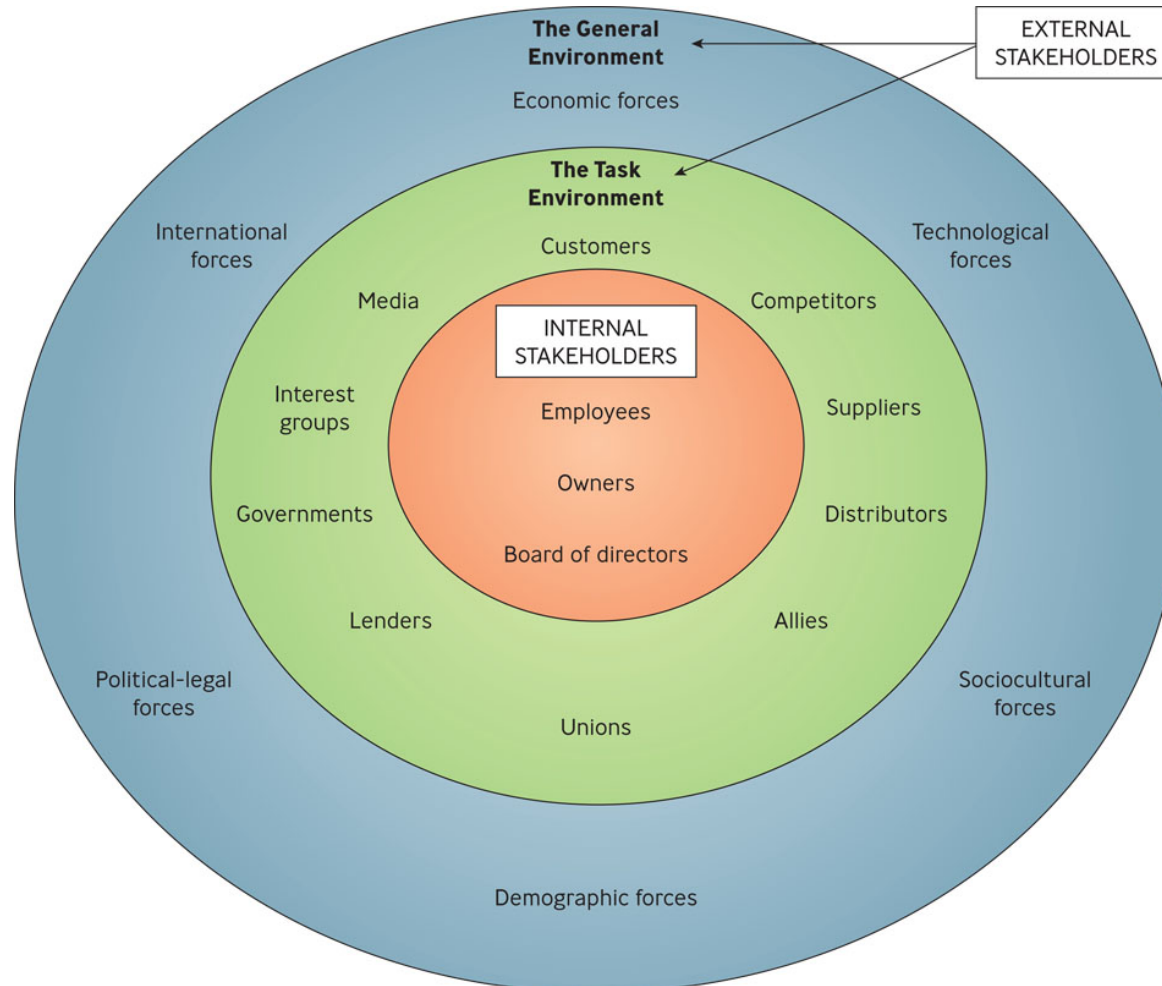
★ Stakeholders

- ↳ the people whose interests are affected by an organization's activities
- ↳ Internal, external



The Organization's Environment

Figure 3.1



The Community of Stakeholders Inside the Organization

★ Internal stakeholders

↳ consist of employees, owners, and the board of directors



The Community of Stakeholders Inside the Organization

✦ **Owners**

↳ consist of all those who can claim the organization as their legal property

✦ **Board of directors**

↳ members elected by the stockholders to see that the company is being run according to their interests

Question?

Two drug companies agree to work together to pool their **research** and **development** funds to develop a new drug for arthritis. In doing so, these two organizations have:

- A. Formed a union
- B. Formed a strategic alliance
- C. Analyzed their internal environment
- D. Influenced the mass media

The Community of Stakeholders Inside the Organization

★ External stakeholders

- ↳ people or groups in the organization's external environment that are affected by it
- ↳ Task, general environment

The Task Environment

★ Customers

↳ those who pay to use an organization's goods or services

★ Competitors

↳ people or organizations that compete for customers or services

The Task Environment



✦ Suppliers

↳ A person or organization that provides raw materials, services, equipment, labor or energy to other organizations

Example: Amazon.com and the Customer Experience

- ★ Jeff Bezos, **founder** and **CEO** of [Amazon.com](https://www.amazon.com) is obsessed with customer service
- ★ Believes that company's success is driven by the customer experience
- ★ In 2011 the company's revenue **increased** 41%



The Task Environment

★ **Distributor**

↳ a person or organization that helps another organization sell its goods and services to customers

The Task Environment

★ Strategic allies

- ↳ describes the relationship of two organizations who join forces to achieve advantages neither can perform as well alone



The Task Environment

- ★ Employee Organizations: **Unions & Associations**
- ★ Local **Communities**
- ★ Financial Institutions

The Task Environment

★ **Government regulators**

- ↳ regulatory agencies that establish ground rules under which organizations may operate

The Task Environment

★ **Special interest groups**

↳ groups whose members try to influence specific issues

★ **Mass Media**



Question?

ChemTech International is being **picketed** by a group of people who live by their biggest plant. The group is **concerned** about ChemTech's **disposal** of waste products into nearby waterways. In this instance, ChemTech is dealing with the _____ part of its _____ environment.

- A. special-interest groups; task
- B. local communities; task
- C. sociocultural; general
- D. sociocultural; task

The General Environment

★ **Economic forces**

- ↳ consist of the general economic conditions and trends – unemployment, inflation, interest rates, economic growth – that may affect an organization's performance

The General Environment

★ Technological forces

↳ new developments in methods for transforming resources into goods and services



The General Environment

★ **Sociocultural forces**

- ↳ Influences and trends originating in a country's, a society's, or a culture's human relationships and values that may affect an organization

The General Environment

★ **Demographic forces**

- ↳ influences on an organization arising from changes in the characteristics of a population, such as age, gender, or ethnic origin

The General Environment

★ **Political-Legal forces**

- ↳ changes in the way politics shape laws and laws shape the opportunities for and threats to an organization

The General Environment

★ **International forces**

- ↳ changes in the economic, political, legal, and technological global system that may affect an organization

Example: What Does a Company Owe Its Community?

- ★ **NCR** is moving its headquarters from Dayton, OH to Atlanta, GA
- ★ NCR had been headquartered in Dayton since the company was **founded** in 1884
- ★ Georgia promised a lucrative incentive package
- ★ Dayton officials thought the **long relationship** between the two should count for something

The Ethical Responsibilities Required of You as a Manager

★ Ethical dilemma

- ↳ situation in which you have to decide whether to pursue a course of action that may benefit you or your organization but that is unethical or even illegal



Defining Ethics & Values

★ **Ethics**

↳ standards of right and wrong that influence behavior

★ **Values**

↳ relatively permanent and deeply held underlying beliefs and attitudes that help determine a person's behavior

Values

Organizations may have two value systems that conflict:

- 1.** The value system stressing financial performance versus
- 2.** The value system stressing cohesion and solidarity in employee relationships

Question?

Fairness in hiring practices is an example of an organization's _____.

- A. Cost-benefit analysis
- B. Morality
- C. Competitive advantage
- D. Long-term interests
- E. Values.

Four Approaches to Deciding Ethical Dilemmas

★ Utilitarian

↳ guided by what will result in the greatest good for the greatest number of people

★ Individual

↳ guided by what will result in the individual's best long term interest, which ultimately are in everyone's self-interest

Four Approaches to Deciding Ethical Dilemmas (cont.)

★ **Moral-rights**

↳ guided by respect for the fundamental rights of human beings

★ **Justice**

↳ guided by respect for impartial standards of fairness and equity

Question?

Pat, a manager at State University, is deciding how to set up a procedure for registering on-line that gives students **fair access** to courses. Pat is engaged in the _____ approach.

- A. utilitarian
- B. individual
- C. moral-rights
- D. justice

White-Collar Crime, SarbOx, & Ethical Training

★ **Sarbanes-Oxley of 2002**

- ↳ Often shortened to SarbOx or SOX, established requirements for proper financial record keeping for public companies and penalties of as much as 25 years in prison for noncompliance



How Do People Learn Ethics?

Kohlberg's Theories

- ★ **Level 1, preconventional** – follows rules
- ★ **Level 2, conventional** – follows expectations of others
- ★ **Level 3, postconventional** – guided by internal values

How Organizations Can Promote Ethics

1. Creating of a strong ethical climate
2. Screening prospective employees
3. Instituting ethics codes and training programs
4. Rewarding ethical behavior: Protecting whistle-blowers

The Social Responsibilities Required of You as a Manager

★ **Social responsibility**

- ↳ manager's duty to take actions that will benefit the interests of society as well as of the organization

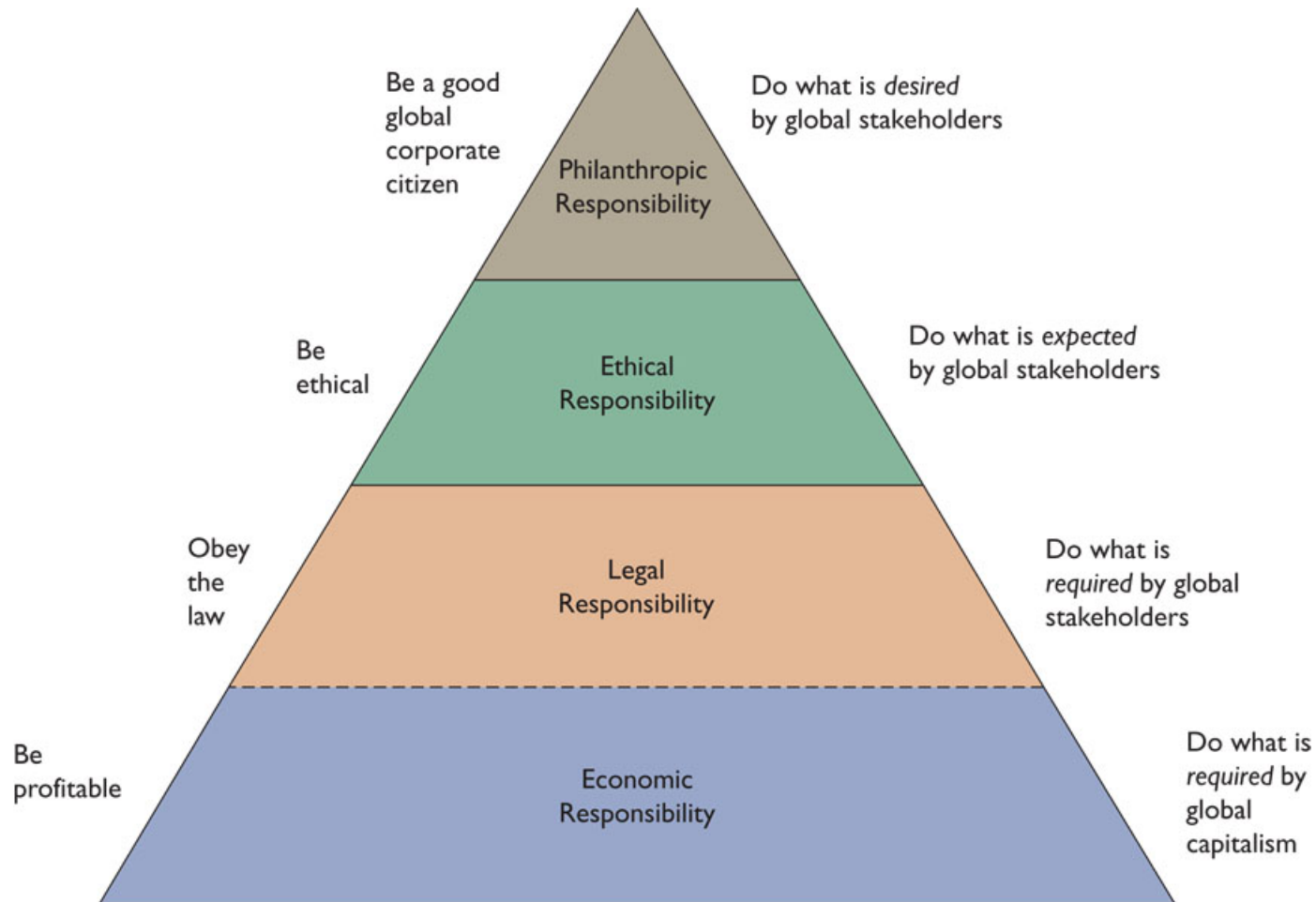
The Social Responsibilities Required of You as a Manager

★ **Corporate social responsibility**

- ↳ notion that corporations are expected to go above and beyond following the law and making a profit

Carroll's Global Corporate Social Responsibility Pyramid

Figure 3.2



Two Types of Social Responsibility

★ **Philanthropy**

↳ making charitable donations to benefit humankind



Corporate Governance

★ **Corporate governance**

↳ the system of governing a company so that the interests of corporate owners and other stakeholders are protected.

The Need for Independent Directors

- ◆ More attention is being paid to strengthening **corporate governance** so that directors are clearly separated in their authority from the CEO