

# Managers, Society, and Sustainability

## Chapter 2

# CHAPTER LEARNING OBJECTIVES

- A thorough understanding of the term *social responsibility*
- Insights about the social responsiveness of an organization
- Insights for meeting social audit challenges

# CHAPTER LEARNING OBJECTIVES

- Thoughts on how to meet philanthropy challenges
- Ways for building sustainable organizations
- An appreciation for the role that ethics plays in management

# FUNDAMENTALS OF SOCIAL RESPONSIBILITY

- **Social Responsibility**

- The managerial obligation to take action that protects and improves both the welfare of society as a whole and the interests of the organization

- **Areas of Social Responsibility**

- Urban/Consumer Affairs, Community Volunteerism, Employment Practices
- Ecology Conservation

# Arguments FOR Social Responsibility Activities

- Businesses as a whole are a subset of society
- Businesses have a responsibility to help maintain and improve the overall welfare of society
- Performing social responsibility activities earns greater organizational profits

# Arguments AGAINST Social Responsibility Activities

- Milton Friedman, Economist
  - Businesses being socially responsible conflict with profit interests of business owners
  - Socially responsible public activities conflict with private organizational objectives
  - Unethical to use owner profits for society's interests

# Conclusions About Being Socially Responsible

- **Businesses and managers should:**
  - Perform all legally required social responsibility activities
  - Consider voluntarily performing social responsibility activities beyond those legally required
  - Inform all relevant individuals of the extent to which organizations will be involved in social responsibility activities

# Social Responsibility and Federal Legislation

**TABLE 2.1** Primary Functions of Several Federal Agencies That Enforce Social Responsibility Legislation

Federal Agency	Primary Agency Functions
Equal Employment Opportunity Commission	Investigates and conciliates employment discrimination complaints that are based on race, sex, or creed
Office of Federal Contract Compliance Programs	Ensures that employers holding federal contracts grant equal employment opportunity to people regardless of their race or sex
Environmental Protection Agency	Formulates and enforces environmental standards in such areas as water, air, and noise pollution
Consumer Product Safety Commission	Strives to reduce consumer misunderstanding of manufacturers' product design, labeling, and so on, by promoting clarity of these messages
Occupational Safety and Health Administration	Regulates safety and health conditions in nongovernment workplaces
National Highway Traffic Safety Administration	Attempts to reduce traffic accidents through the regulation of transportation-related manufacturers and products
Mining Enforcement and Safety Administration	Attempts to improve safety conditions for mine workers by enforcing all mine safety and equipment standards



# Voluntarily Performing Social Responsibility Activities

- Adhering to legislative mandates is the minimum standard managers must achieve
- Managers need to ask themselves how far above the minimum they are willing to go
- Managers need a well-defined position and need to communicate that vision

# Social Responsiveness

- The degree of effectiveness and efficiency an organization displays in pursuing its social responsiveness
- The greater the degree of effectiveness and efficiency, the more socially responsive the organization is said to be

# Determining if a Social Responsibility Exists

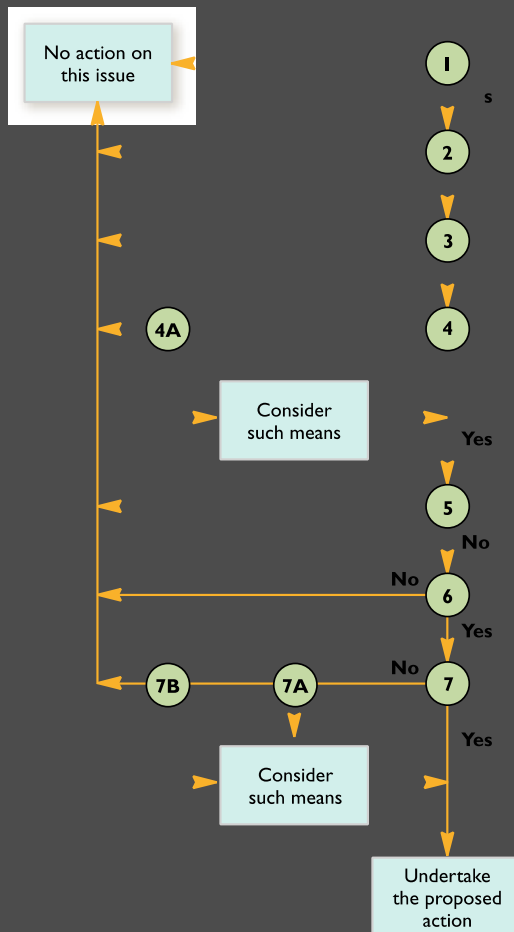
- Obligations based on:
  - Business situation
  - Impact on stakeholders

**TABLE 2.2** Stakeholders of a Typical Modern Organization and Examples of Social Obligations Managers Owe to Them

Stakeholder	Social Obligations Owed
Stockholders/owners of the organization	To increase the value of the organization
Suppliers of materials	To deal with them fairly
Banks and other lenders	To repay debts
Government agencies	To abide by laws
Employees and unions	To provide a safe working environment and to negotiate fairly with union representatives
Consumers	To provide safe products
Competitors	To compete fairly and to refrain from restraints of trade
Local communities and society at large	To avoid business practices that harm the environment

# Social Responsiveness and Decision Making

Managers must pursue only those responsibilities their organization possesses and has a right to undertake



# Approaches to Meeting Social Responsibilities

- Incorporate social goals into annual planning process
- Seek comparative industry norms for social programs
- Present reports to owners and stakeholders
- Experiment with different approaches
- Attempt to measure cost of social programs

# Approaches to Social Responsibility

- **Requirement**

- Firm only does what is required by law

- **Recognition**

- Firm has obligations to pursue both profit and social goals

- **Believing**

- Firm has both profit and social goals

# SOCIAL AUDIT CHALLENGE

- Process of measuring social responsibility activities to assess organizational performance
- **Social Audit Steps:**
  - Monitoring
  - Measuring
  - Appraising

# PHILANTHROPY CHALLENGE

- Promote welfare of others through general monetary donations to social causes
- Aim to increase well-being of people



# SUSTAINABLE ORGANIZATION CHALLENGE

- **The Triple Bottom-Line:**
  - Management should work toward making their organizations sustainable in three areas:
    - **Economy**
    - **Environment**
    - **Society**

# Why Sustainability?

- Increased profits
- Increased productivity
- Increased innovation

# Steps to Sustainability

- Set sustainability goals
- Hire organization members who can help organization become more sustainable
- Reward employees who contribute to organization's sustainability goals
- Track progress in reaching sustainability goals

# MANAGERS AND ETHICS

- Capacity to reflect on values in the corporate decision-making process, to determine how these values and decisions affect various stakeholder groups, and to establish how managers can use these observations in day-to-day company management

# Benefits of Ethics in Management Practices

- Increased Productivity
- Stakeholder Relations
- Government Regulation

# Creating an Ethical Workplace

- Code of Ethics
- Chief Ethics Officer
- Training
- Ethical Standards
  - Utilitarian
  - Rights
  - Virtues
- Sarbanes-Oxley Reform

# Code of Ethics

- Guide for the ethics of how people should act and make decisions

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