GLOBAL EDITION

Strategic Management
A Competitive Advantage Approach,
Concepts and Cases

SIXTEENTH EDITION

Fred R. David • Forest R. David

P Pearson

Ethics/Social Responsibility/ Sustainability

Chapter Three

Learning Objectives

1. Explain why good ethics is good business in strategic management.

2. Explain why whistle-blowing, bribery, and workplace romance are strategic issues.

3. Discuss why social responsibility and policy are key issues in strategic planning.

4. Discuss the nature of environmental sustainability and why it is a key issue in strategic planning.

5. Explain why animal welfare is a strategic issue for firms.
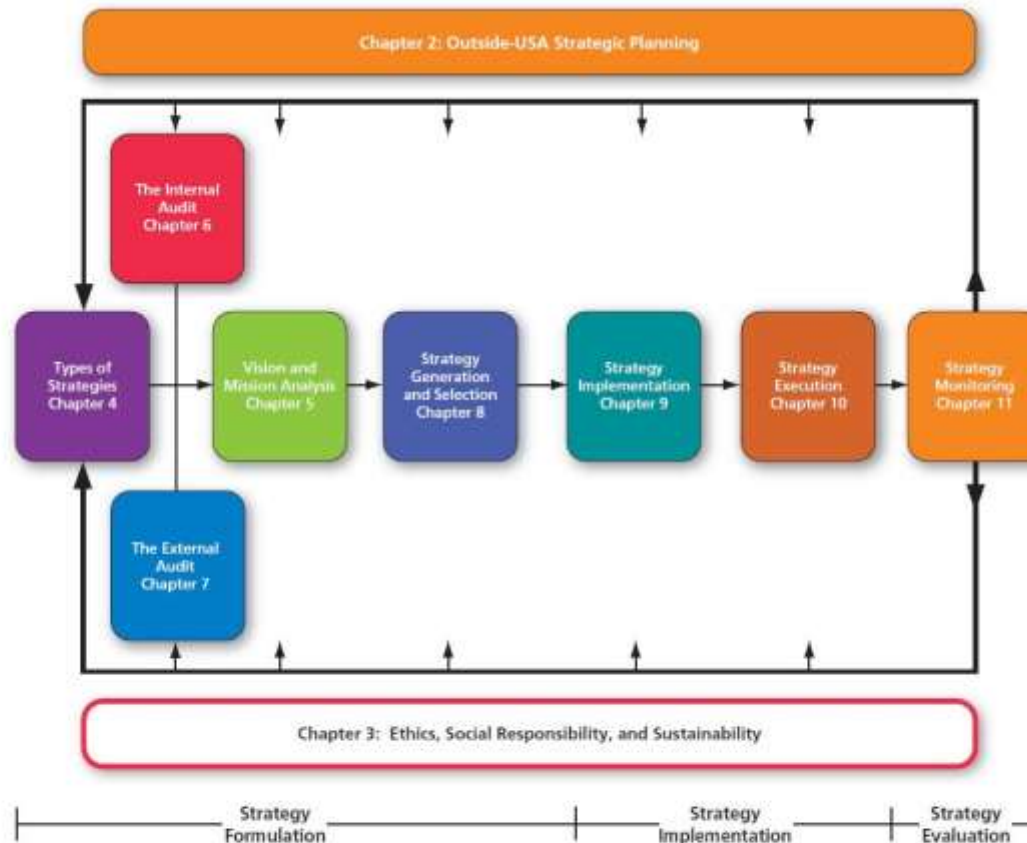
A Comprehensive Strategic-Management Model

FIGURE 3-1

A Comprehensive Strategic-Management Model

Source: Fred R. David, adapted from "How Companies Define Their Mission," *Long Range Planning* 22, no. 3 (June 1988): 40, © Fred R. David.v

Business Ethics

❖ **Business Ethics**

❖ principles of conduct within organizations that guide decision making and behavior

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

Seven Principles of Admirable Business Ethics

❖ Be trustworthy

❖ Be open-minded

❖ Honor commitments and obligations

❖ Do not misrepresent, exaggerate, or mislead

❖ Be a visibly responsible community citizen

❖ Utilize your accounting practice to eliminate questionable activities

❖ Do unto others as you would have them do unto you

Establish an Ethics Culture

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 employees reporting 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.

Avoid Bribery

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

❖ a crime in most countries of the world, including the United States

Workplace Romance

Workplace romance can be detrimental to morale and productivity

- ❖ favoritism complaints can arise
- ❖ confidentiality of records can be breached
- ❖ reduced quality and quantity of work could result
- ❖ personal arguments can lead to work arguments
- ❖ whispering secrets can lead to tensions
- ❖ sexual harassment charges may ensue
- ❖ conflicts of interest could arise

Social Responsibility and Policy

❖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.

Sustainability Reports

Sustainability report:

❖ reveals how a firm's operations impact the natural environment

❖ discloses to shareholders information about the firm's labor practices, product sourcing, energy efficiency, environmental impact, and business ethics practices

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 **E**nvironmental **M**anagement **S**ystem (**EMS**)

6 Major Requirements of an EMS

1. Show commitments to prevention of pollution, continual improvement in overall environmental performance, and compliance with all applicable statutory and regulatory requirements.

2. 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.

6 Major Requirements of an EMS

3. 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.

4. 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.

6 Major Requirements of an EMS

5. Conduct an audit operation of the EMS.

6. Take corrective actions when deviations from the EMS occur.

Wildlife Welfare

❖Consumers globally are becoming increasingly intolerant of any business or nation that directly or indirectly destroys wildlife, especially endangered wildlife, such as tigers, elephants, whales, songbirds, and coral reefs.

Food Suppliers and Animal Welfare

❖ Consumers expect humane treatment of animals.

❖ Consumers are flocking to organic products.