

Week 1

DBBI story summary

- Business exists to satisfy the wants and needs of society.
- Business influences, and is influenced by, other businesses, government(s) and civil society.
- The consequences of business are good and bad; winners and losers are inevitable.
- Every single product in use today has consequences.
- Society expects business to be profitable, but to do so ethically and in a socially responsible way.
- There are many stakeholders – some real, some not technology and globalization complicates this relationship.

How to be more effective

- Collaborate: get a full knowledge contribution from all stakeholders: business, government, civil society.
 - Be culturally aware and culturally sensitive – your way of doing things may not be right in all cultures.
- Implement effective corporate governance so the board of directors steer DBBI in the right direction.
- Understand that business affects society in everything it does and that society expects socially responsible actions.

Issues

- Society's expectations of business driven by a more informed, affluent and litigious society
- Technological advances facilitate misinformation and disinformation but also puts business in society's spotlight
- Who in "society" has the greatest influence?
- Who has the right to dictate how business should operate?
- What exactly is "ethical" behaviour?
- What exactly is "social responsibility"?

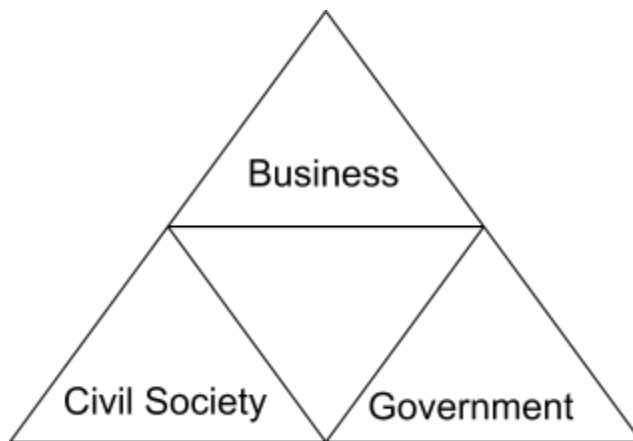
Significance of Business in its Social Context

- Business affects, and is affected by the society in which it operates
- For managers to operate effectively, an understanding of business' domestic macroenvironment is essential.

Business Macro Environment

- It is intuitive that business can affect, and be affected by other businesses
- But business can affect, also be affected by: Government, Civil society

The Modified Boulding Triangle: A way to depict the Canadian macroenvironment



At the apex appears B,G and S in its purest form

Pure reciprocity (civil society)

Pure exchange (business)

Pure coercion (government)

All inner territory represents organizations embodying different mixes of the three -- a variety of socioeconomic AND governance relationships.

Rules or “sorting” mechanisms of coordination for each segment are based on different principles:

Business -- supply and demand forces

Government -- redistribution and coercion

Civil society -- cooperation, reciprocity and solidarity

The Business Segment

All forms of “for profit” business ownership –Corporations, Partnerships, Proprietorships

The Government Segment All levels of government

Federal, Provincial, Municipal

Organized and unorganized social networks

Communities

Non-government organizations

Charities

Volunteers

Philanthropic efforts

Week 2

The Microenvironment of Canadian business

The workforce of today:

- Aging population
- Shrinking labour pool
- Increasing diversity
- Outsourcing & the changing nature of work
- Flexibility and mobility
- Innovation through collaboration

The Canadian Private Sector Forms of Business Ownership

- Sole Proprietorship
- Partnership (General, Limited)
- Corporation (Under Federal Laws, Under Provincial Laws)
- Cooperative
- Franchises – A Specialized Form of Business Ownership

The Canadian Private Sector Forms of Business Ownership

Sole Proprietorship (SPs)

- The simplest form of business organization available to any individual who is legally able to enter into a binding contract.
- SPs fall under provincial and municipal jurisdiction
- Filing a name declaration is not required provided the proprietorship operates under a person's name
- Owned and operated by one person

SPs advantages:

- Easy and cheap to start
- Secrecy
- Flexibility and control
- Pride of ownership
- Distribution and use of profit
- No special taxes
- No government regulation

SPs disadvantages:

- Unlimited liability
- Limited financial resources
- Limited skills pool
- Overwhelming time commitment
- Few fringe benefits

- Limited growth
- Limited life span

Partnership:

- Two or more people share ownership of a single business
- Provincial laws require that a partnership must legally register its name and give information about the partners (except in Newfoundland and Labrador)

Partnership Advantages:

- Ease of organization
- More financial resources (capital and credit)
- Shared management
- Combined knowledge and skills
- Faster decision making
- Few regulatory controls

Partnership disadvantages:

- Unlimited liability
- Partners are responsible for the business activities of all others
- Division of profits
- Disagreements among partners
- Life of a partnership

General Partnership:

- Partners are not only liable in equal share for the debts of the partnership (jointly liable) but in addition, each partner is liable for the full amount (jointly and severally liable)
- Each member can bind the partnership without consent of the other partners

Limited Partnership:

- Composed of one or more general partners who conduct the business, and one or more persons who contribute an amount in actual cash (special or limited partners)
- The special partner's liability is normally limited only to the amount of the cash s/he contributed to the partnership

Limited Partnership**Silent partner:**

- Known to the public, no active management role

Secret partners:

- Unknown to the public, but take an active role in management

Nominal partners:

-Lend their name for public relations, but are actually not involved

Dormant partners:

-Neither known to the public nor active in management

Corporation:

-A corporation is recognized as a separate legal entity under the law

-A corporation can be incorporated federally or provincially

-A corporation incorporated under the laws of Canada (a federally incorporated business) can carry on business in all parts of Canada.

-A federal company cannot be prevented by a provincial government from exercising the powers that have been validly conferred on the company by federal authority (e.g., doing business in a province).

Corporation advantages:

-More money for investment

-Limited liability

-Separation of ownership from management

-Ease of ownership change

-Perpetual life

-Size

-Perceived legitimacy

Corporation disadvantages:

-Initial cost

-Paperwork

-Two tax returns

-Termination difficult

-Double taxation

-Greater expectations for social responsibility and ethical conduct from stakeholders

Private Corporation:

-The right to transfer shares is restricted

-Number of shareholders limited to 50

-May not sell shares or debentures (bonds or debt instruments) to the Public

Public Corporation:

-Sells shares to the public on a stock exchange

-Is subject to stricter regulations for filing financial reports, must follow certain audit procedures

-Must file a prospectus if shares are being sold to the investing pub

Co-operatives:

-A legally incorporated corporation that is owned by an association of persons seeking to satisfy common needs such as access to products or services, sale of their products or services, or employment.

Franchises:

-A business established or operated under an authorization to sell or distribute a company's goods or services in a particular area (McDonald, Tim Hortons)

Corporate Governance

-A set of contracts and relationships between the company, its directors, its officers, and its stakeholders that ensures accountability, enhances the reliability and quality of public financial information, enhances the integrity and efficiency of the capital market, and improves investor confidence.

Corporate Governance Key Players

1. Shareholders

- The de-facto owners of the corporation
- Interested in return on investment

2. Board of Directors

- Responsible for governance
- Elected by shareholders to represent shareholder interests
- Fiduciary duty
- Duty of care

3. Officers/Senior Employees

- Senior employees who oversee daily operations
- President
- Chief Operating Officer
- Members of the senior management team

Corporate Social Responsibility

From the textbook:

- The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations
- Corporate social responsibility is about businesses and other organizations going beyond the legal obligations to manage the impact they have on the environment and society

Corporate Social Responsibility: Philosophical Arguments

- Can a corporation have social responsibilities
- Can a corporation be morally responsible for its actions

Key Features of a Corporation

- An artificial person under the law
- Owned by shareholders but exist independently of their owners
- Boards of Directors and Managers have fiduciary responsibilities to protect the investment of Shareholders

Corporations do have some level of moral responsibility

- Corporations have an organized framework of decision-making that transcends an individual's framework of responsibility
- Corporations manifest a set of beliefs and values an organizational culture that, among other things prescribes what is right or wrong
- Therefore: the level of a corporation's moral responsibility is more than the responsibility of the individuals who constitute the corporation.

Case for Corporate Social Responsibility

- Business must satisfy society's needs.
- CSR prevents public criticism and government regulation.
- Business and society are interdependent.
- CSR is good for the bottom line.
- Investors and consumers support CSR.
- Addressing social problems can become financial opportunities (e.g., pollution abatement)
- Business should take long-term CSR approach.
- Social actions improve public image and goodwill.-
- Business can solve problems as well as government.
- Proactive approach is better than reactive.
- Businesspeople are also concerned citizens.

Case Against Corporate Social Responsibility

- Profit maximization is the primary purpose of business.
- Business is responsible to shareholders.
- Social policy is role of government.
- Business lacks training in social issues.
- CSR would give too much power to business.
- Business involvement in social matters increases costs.
- No reliable guidance for business in CSR matters.
- Business cannot be held accountable unlike social institutions.
- There is divided support in business community for social involvement.

Social Responsibility Theories

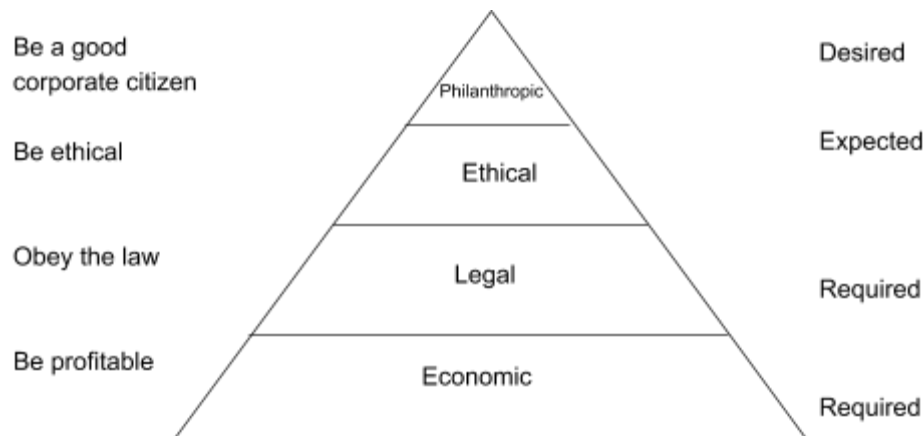
- 1)Amoral view
- Traditional view of business as merely profit-making entity

2) Personal view

Corporations are like people and can therefore be held accountable for their actions.

3) Social view

Corporations are social institutions with social responsibilities



Corporate Social Responsibility

Economic Responsibilities (Make a profit) + Legal Responsibilities (Obey the law) + Ethical Responsibilities (Be ethical) + Philanthropic Responsibilities (Good corporate citizen)

Contemporary Corporate Social Responsibility Concepts

1. Corporate Sustainability
2. Reputational Management
3. Social Impact Management
4. Triple Bottom Line

Contemporary Corporate Social Responsibility Concepts

1. Corporate Sustainability

-Corporate activities demonstrating the inclusion of social and environmental as well as economic responsibilities in business operations as they impact all stakeholders

Five levels

- Compliance-driven
- Profit Driven
- Caring
- Synergistic
- Holistic

Compliance-driven

-following government regulations & responding to charity & stewardship considered appropriate by society

-a minimalist approach

Profit-driven

-consider social, ethical and environmental aspects of business operations insofar as they contribute to the bottom line

-a tactical' approach

Caring

- initiatives go beyond legal compliance and profit considerations – economic, social environmental concerns are balanced

-an 'accommodating approach

Synergistic

-well-balanced and functional solutions are sought that create value in the economic, social, and environmental areas that result in gains for all stakeholders

-A 'collaborative' approach

Holistic

-full integration of corporate sustainability embedded in every aspect of the corporation's activity as this is important to the quality and the continuation of life on this planet

-A 'utopian approach

Pollution vs. Productivity

-Every sector of business in every country leaves an environmental footprint

Two Views of Environmentalism

-Standard Environmentalism

-Market Environmentalism

Standard Environmentalism

-occurs when government regulation/intervention is required to remedy the market's failure to provide sufficient environmental protection

Market Environmentalism

-occurs when economic incentives created by the market are more effective at protecting the environment than government intervention (renewable energy)

Short answer questions

How do we measure:

-Fairness (Get an outside corporation or organization to evaluate fairness)

-Respect

-Accountability

-Honesty

-Transparency (

Do you know any CSR programs?

(tims

Is it better that corporate just give money or should they be more directly involved?

Is social impact investing or giving a viable approach?

Week 3

The Canadian government segment

Should corporations be held to account as individuals are?

- Yes, because they are already considered individuals
- No, because they have a bigger impact on their customers

Individuals do not behave perfectly and why should corporations be held to a higher standard?

-individuals don't have time to check all standards they need to rely on the corporation,

Is it better that corporate just give money or should they be more directly involved? Is social impact investing or giving a viable approach?

-They should become more involved to help motivate their employees and can overall make the corporation look good in the public eye.

A federal state:

One that brings together a number of different political communities with a common government for common purposes, and separate "states" or "provincial" governments for the particular purposes of each community.

Specific Rights and Freedoms:

- Democratic rights
- Fundamental freedoms
- Mobility rights
- Legal rights
- Equality rights
- Official language rights
- Minority language education rights

Examples of Federal Government Exclusive National Powers:

- Direct and indirect taxation
- Regulation of trade and commerce
- The public debt and property"Grants to individuals or provinces (family allowance, hospital insurance/medicare, higher education, etc.)
- The post office
- Census and statistics
- Defence

- Navigation and shipping
- The fisheries
- Money and banking
- Interest
- Bankruptcy
- Weights and measures
- Patents
- Copyrights
- Criminal law and procedure in criminal cases
- General law of marriage and divorce

Some Examples of Provincial Legislation Powers:

- Direct taxation in the province for provincial purposes
- Natural resources
- Prisons (except for federal penitentiaries)
- Charitable institutions
- Hospitals (except marine hospitals)
- Municipal institutions
- Licenses for provincial and municipal revenue purposes
- Incorporation of provincial companies
- Solemnization of marriage, property and civil rights in the province
- The creation of courts and the administration of justice, fines and penalties for breaking the law
- Matters of a merely local or private nature in the province
- Education

The Canadian Political Landscape

- Canada is a constitutional monarchy, a federation and a parliamentary democracy
- Her Majesty Queen Elizabeth II is the Queen of Canada and our constitutional head of state
- She delegates her duties, which are mainly ceremonial, to her representatives in Canada: the Governor General and the provincial lieutenant-governors
- Formally the Prime Minister and cabinet advise the queen, but practically cabinet holds the power and determines the policy for proposed legislation

Three Branches of Government:

- Legislative (The House of Commons & The Senate)
- Executive (Prime Minister, Cabinet and the Public Service)
- Judicial (Independent of Cabinet, Parliament or of any other state institution)