

Lecture 1: Introduction to Business and Society

Examples of Issues to be Addressed in this Course

- 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"?

From Management to the Social Context of Business

Management

- Planning, organizing, leading, controlling
- Forms of Business Ownership
- Motivation
- Communication, Conflict, Negotiation
- Organizational structure, culture and change
- Planning and strategy
- Marketing, etc.



Social Context of Business

- What is the purpose of a business?
 - To maximize the wealth of shareholders (by creating a sustainable competitive advantage)
- Some realities concerning managing to 'make a profit'
 - Ethics, Social Responsibility, Diversity
 - Ability to make a profit will be influenced by
 - Competition (domestic and global)
 - Government
 - Civil society
 - Environmental, social concerns, etc.

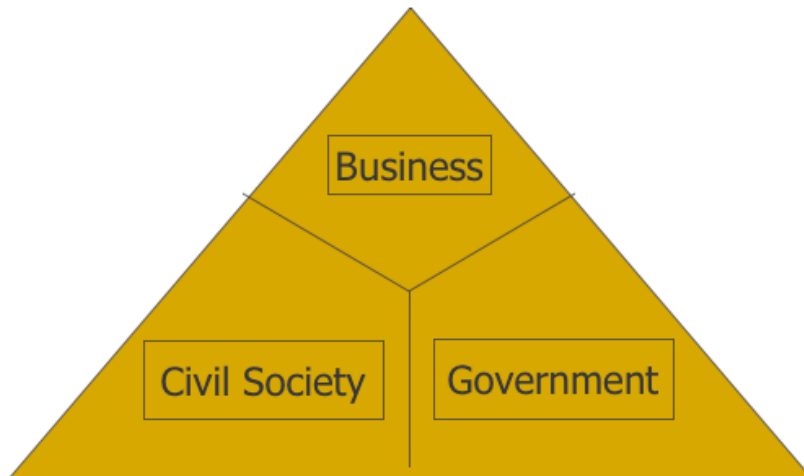
Significance of Business in its Social Context

- 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' Domestic Macroenvironment

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

Canadian Domestic Socioeconomy



The Business Segment

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



The Government Segment

- All levels of government:
 - Federal
 - Provincial
 - Municipal
- Crown corporations



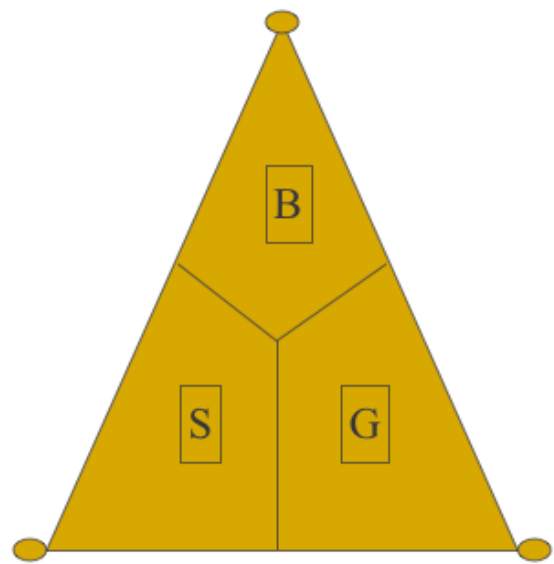
The Civil Society Segment

- Organized and unorganized social networks
 - Communities
 - Non-government organizations
 - Charities
 - Volunteers
 - Philanthropic efforts



Canada's Domestic Macroenvironment: The Business-Government-Society Nexus

- The Triangle depicts the three segments of the domestic macroenvironment -- Business (B), Government (G) and Civil Society (S)
- 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 boundaries between B, S, and G are not well-defined because they are not rigid frontiers but rather wavering and continually evolving zones of overlap, interaction and interdependency



Drivers of Change in Canada's Social Context

- Population demographics (aging, more diverse and multicultural population with more complex issues)
- Continuing advances in information communication technologies
- Globalization



Aging Population: The Baby Boomers

- Born late 1940s through early 1960s
- Affects **business**:
 - This group is the highest earners and the largest cohort and represents enormous demand so the products demanded are produced!
 - Aging...therefore different products (from the minivan to the Mercedes)
 - Who will replace this cohort in the workforce (also represents an enormous retiring cohort around the same time)
- Affects **government**:
 - Can strongly influence public policy direction and thrust because the group represents the largest single voting cohort
 - Largest single voting cohort will also demand certain things of importance to an aging group:
 - Tax breaks
 - Pension management
 - Personal services
 - Can influence who get elected
- Affects **civil society**:
 - Can strongly influence the agenda of civil society organizations
 - Largest group of potential volunteers
 - Largest group of charitable supporters
 - Most are well connected and experienced



Information and Communications Technology

- Affects **business**:
 - Instant communication
 - Increased expectations of stakeholders
 - Greater visibility of business activities
 - Greater competition
 - New stakeholder paradigms
 - Ownership of intellectual capital
- Affects **government**:
 - Instant communications
 - Increased expectations of stakeholders
 - Greater visibility of government policy issues and greater public scrutiny on actions of government
 - New stakeholder paradigms (collaboration)



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- Alternative program and service delivery mechanisms
- Affects **civil society**:
 - Increased ability to influence government and business
 - Increased capacity to garner public support to play on business and government agendas
 - Increasing complexity of issues and increased demands on its services
 - Public safety and privacy concerns

Globalization

- Affects **business**:
 - Pressure to innovate
 - Unpredictable competition from everywhere
 - Multicultural workforce at home and related management issues
 - Manufacturing activities in foreign countries
 - Cross-border issues
 - Security and safety issues
 - More sophisticated products and changing consumer tastes
- Affects **government**:
 - World trade
 - Increasing political influence on trade
 - Need to work with different governments in different cultures and different political systems to effect economic growth
 - Must recognize developing nations plights and issues
 - Less protection for domestic industries
- Affects **civil society**:
 - Increasing knowledge of other civil societies and how these civil societies interact with their own governments and businesses
 - Greater sophistication
 - Increasing complexity of civil society issues
 - Opportunity to work more collaboratively with government and business



Canada's Domestic Macroenvironment: The Business-Government-Society Nexus

- The new Canadian domestic macroenvironment requires:
 - the need to collectively mobilize the intelligence, imagination and knowledge of all stakeholders to innovate
 - the tapping of the intelligence, imagination and knowledge of all the stakeholders to compete effectively, and
 - individuals from any one of the three sectors to develop at least a working knowledge of the other two

Three Segments Operating in Canada

- A vast country
- A primarily urban, educated and aging population
- A government style through which there are two sources of law: federal and provincial
- A government that is a key player in the Canadian economy
- A civil society segment that serves as a major economic and social contributor

Textbook: Key Points

1.2 Integrity in Business

- **Integrity:** The appropriateness of a corporation's behaviour and its adherence to moral guidelines and acceptable to society such as honesty, fairness, and justice
- Ethics apply to business in the same manner as they do in any other institution in society (e.g. public administration, politics, educational systems, and more)
- There are no ethics unique to business; it is only the issues and settings that are different
- **Responsible corporation:** A business undertaking that responds to social, ethical, and environmental responsibilities in addition to its economic obligations

1.3 Main Approaches to Ethical Thinking

- **Deontological effects:** An approach to ethics that determines goodness or rightness from examining the acts, rather than from the consequences of the acts
- **Teleological effects:** An approach to ethics that focuses on outcomes, or results of actions
- **Virtue ethics:** Emphasizes the individual's character or identity, and focuses on being instead of doing

Comparison of Approaches to Ethical Thinking

Deontological or Rule-Based Theories	Teleological or Consequential Theories	Virtue Ethics
<p>Description:</p> <ul style="list-style-type: none"> • Focus on moral obligations, duties, and rights • Rules should guide decision making and behaviour • More individualistic focus, as individuals should be treated with respect and dignity <p>Limitation:</p> <ul style="list-style-type: none"> • Allows individuals to avoid responsibility as they are following rules or orders <p>Example: Categorical Imperative</p> <ul style="list-style-type: none"> • Respect for individuals, treating them as ends not a means to ends <p>Ethicists:</p> <ul style="list-style-type: none"> • Immanuel Kant • John Locke • John Rawls 	<p>Description:</p> <ul style="list-style-type: none"> • Focus is on goals, outcomes, or results • Emphasizes maximum benefit and minimum harm • Considers all stakeholders impacted <p>Limitation:</p> <ul style="list-style-type: none"> • Difficult to calculate benefits and harms, and apply weights to each <p>Example: Utilitarianism</p> <ul style="list-style-type: none"> • Greatest good for the greatest number • Aim to produce the most net utility; that is, benefits vs. harms • Provides a group or societal prospective <p>Ethicists:</p> <ul style="list-style-type: none"> • John Stuart Mill • Jeremy Bentham 	<p>Description:</p> <ul style="list-style-type: none"> • Based on character of individual • If individual has good traits or virtues, decisions will be good or ethical • Virtuous characteristics come into play when resolving ethical dilemmas <p>Limitation:</p> <ul style="list-style-type: none"> • Disagreement over what are virtues; that is, how a virtue is defined <p>Ethicists:</p> <ul style="list-style-type: none"> • Plato • Aristotle • Revived recently by several ethicists

1.4 The Canadian Business System

- **Economic system:** An arrangement using land, labour, and capital to produce, distribute and exchange goods and services to meet the needs and wants of people in society. The objective of an economic system is to use a society’s resources to meet the society’s needs.
- **Capitalism:** An economic system that allows for private ownership of the means of production (land, labour, and capital) and assumes that economic decision making is in the hands of individuals or enterprises who make decisions expecting to earn a profit. An early advocate of capitalism was Adam Smith (the “Father of Capitalism”)
- **Free enterprise system:** - An economic system characterized by ownership of private property by individuals and enterprises; the profit motive; a competitive market system; and a limited involvement by government. Also referred to as the *private enterprise system*.

- **Laissez-faire capitalism:** An economic system operating with absolute minimum interference by the government in the affairs of business. Government involvement is strictly limited to providing essential services such as police and fire protection. Laissez-faire stems from a French term that means “allow to do”.
- **Responsible enterprise system:** An economic system operating as a free enterprise system but incorporating the element of accountability. This definition implies that business enterprises are responsible to society for their actions and are answerable or accountable for being the cause, agent, or source of something.
- **Stakeholder capitalism:** An economic system in which corporations accept broader obligations beyond financial ones for shareholders. Corporations are expected to balance the interests of shareholders with those of other stakeholders in the business system, for example employees, suppliers, customers, and the community at large. In stakeholder capitalism, corporations are expected to behave with greater social responsibility and be sensitive to the ethical consequences of their actions.

Personal Capitalism

- Social Capitalism = who you know
- Economic Capitalism = what you have
- Cultural Capitalism = legitimate knowledge
- Symbolic Capitalism = status in the eyes of others

1.5 The Corporation and the Business System

- Canadian business system comprises business enterprises varying from sole or single proprietorships to partnerships and incorporated entities

1.6 The People Who Run Canadian Business

- **Owners**
 - Direct individual owners are shareholders or investors and entrepreneurs
 - Sometimes employees participate in ownership through stock purchase
- **Boards of Directors**
 - Owners are represented by a board of directors
 - “Shall manage the business and affairs of a corporation” - Canadian Business Corporations Act - Section 97(1)
 - Provide shareholders with financial statements and external auditor’s report on the financial affairs of the corporation presented in an annual corporate report
 - Direct and evaluate strategic planning including formulating plans, keeping management accountable for implementation, and assessing performance
 - Represent shareholders by participating in any major decisions impacting the corporation's operations relating to ownership, investments, acquisitions, divestments, takeovers, or insolvency
 - Fulfill the fiduciary and legal requirements as outline in the Canadian Business Corporations Act

- **Managers**

- Require a variety of skills to oversee the operations and corporations in today's dynamic business environment

1.7 Society's Attitudes Toward Business

Factors Influencing Attitudes Toward Business:

- **Standard of Living:** a prominent argument used in justifying or supporting the business enterprise system is the standard of living that it provides. As living standards increase, the more likely society will view business in a positive manner.
- **Decentralized Decision Making:** A prominent argument used in justifying or supporting the business enterprise system is the standard of living that it provides. As living standards increase, the more likely society will view business in a positive matter.
- **Allocation of Resources:** Some argue that the efficient allocation of resources is more likely to occur with a business system, as allocation is based on the price and availability of resources. However, critics of the business system challenge the efficiency claim. They argue that enterprises control prices, for example in oligopolistic industries, or that business enterprises control the availability of resources, creating artificial scarcities.
- **Self-interest:** In a business enterprise system, the individual can behave in his or her own self-interest. Self-interest acts as a motivator, and provides the drive for profit that encourages individuals to get things done. In a competitive business enterprise system, consumers choose among businesses that provide basically the same good and service.
- **Inequities in Society:** Some critics of the business enterprise system claim that a system based on capitalistic markets leads to inequities. Supporters of the system say that inequities are inevitable and necessary in a dynamic economy to provide incentive to prevent the regimentation of equality.
- **Business Cycle:** Business cycles are natural in a market system, and probably are the most accentuated in a business enterprise system than in a centralized economy. With periods of prosperity followed by recessions, the business enterprise system is vulnerable to criticisms because of the hardships imposed upon particular individuals and types of business at various times. The instability created by business cycles is resented by society
- **Unemployment:** Employment is associated with the country's economic performance, business cycles, and the productivity of business. How well the country's major industries are performing and the levels of consumer spending determine employment levels. Unemployment occurs when business lays off or fails to hire employees as business activity declines.
- **Innovation:** The business enterprise system is designed to constantly seek innovation. A large portion of technological development has been the result of the efforts of business enterprises.

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- **The Media:** Popular media influences society's views of business. Books, magazines, newspapers, television, film documentaries, movies and the Internet describe the activities of business and the implications for society.

Example: U2 and the Social Context of Business

As a business:

- Revenues
- Expenses
- Marketing
- Promotion
- Planning
- Organizing
- Leading
- Controlling

Affects government:

- Pays taxes
- Employs people; directly and indirectly
- Respect all legal constraints and obey all laws
- Need passports/visas to travel

Affects civil society:

- Entertains people
- Please certain stakeholders
- Offend other stakeholders by provoking pressure on government

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Social Context of Business

- Any business has to understand and be sensitive to the context in which it operates or wish to operate in order to sustain itself and prosper.
- A business has to "fit in". It then becomes part of that larger context.
- A business primarily has an economic mission.
- So, let's take a quick look at the Canadian economy as a backdrop.

The Canadian Economy in Brief

- GDP: \$1.7 trillion (current as of 2nd Quarter 2011)
- GDP per capita (2010): \$46,160

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- $GDP = C + I + G + (exp - imp)$
 - Consumption + Investment + Government Expenditures + Net International Trade

The Canadian Economy in the World

- “The 1989 US-Canada Free Trade Agreement (FTA) and the 1994 North American Free Trade Agreement (NAFTA) (which includes Mexico) touched off a dramatic increase in trade and economic integration with the US, its principal trading partner.”
- “Canada enjoys a substantial trade surplus with the US, which absorbs about three-fourths of Canadian exports each year. Canada is the US's largest foreign supplier of energy, including oil, gas, uranium, and electric power.”
- The Canadian economy differs greatly from region to region.
- Traditionally Central Canada has been the economic engine of Canada, home to more than half of its population and much of its industry.
- Recent years have seen rapid growth in Western Canada as trade with Asia has enriched British Columbia and oil wealth provided a major boost to Alberta and Saskatchewan.
- In Atlantic Canada, the collapse of the fishing industry has led to diversification efforts. Offshore oil and gas wealth has begun to flow into the region (NFL&L, NS).

- Second largest country (land mass) after Russia. Very low population density
- 15th largest economy by GDP size
- Among the top countries for median and per capita income
- High standard and quality of living
- Major trading nation (in particular in minerals and natural products)
- 10th largest exporter and 12th largest importer in the world in 2010
- net exporter of energy, exporting 2.2 million barrels of oil per day and 94.67 billion cubic meters of natural gas in 2010
- the 2nd largest proven reserves of oil in the world

The Canadian Business Segment

- Recent changes to the economic environment affecting Canadian business:
 - Globalization
 - Early 1990s recession
 - Technology boom
 - Growth of technology and biotechnology industries

- Globalization
- Key Impacts
 - Opened new markets for Canadian business
 - Forced greater competitiveness
 - Note importance of international trade to Canada's economy (1/3 of GDP)

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- Canada is a member of NAFTA, WTO, OECD as well as UN, IMF, World Bank, G7, G8 and G20
- Early 1990s recession and Technology Boom
- Key impacts
 - New skill sets required
 - New business models created
 - Employment creation and destruction
- Technology/Biotechnology Growth
- Key impacts
 - Impact on business strategy
 - Impact on industrial policy
 - Impact on public policy
 - Provocation of new ethical debates

Canadian Private Sector: Canada's Key Sectors

- Aerospace
- Agri-Food
- Automotive
- Biotechnology
- Chemicals
- Information and Communications Technologies
- Medical Devices
- Oil and Gas
- Pharmaceutical
- Plastics

Forms of Business Ownership

- Sole Proprietorship
 - Owned and operated by one person
 - Simplest form of business
- Partnership
 - General
 - Each partner is liable for the full amount of debt - unlimited liability
 - Limited
 - Composed of one or more general partners who conduct business
 - Composed of one or more general partners who conduct business and one or more person who contribute an amount in actual cash (special/limited partners)
 - Special partner's liability is normally limited only to the amount of cash (s)he contributed to the partnership
- Corporation

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- Separate legal entity under the law
- Incorporated federally or provincially
- Federally incorporated - can carry business in all parts of Canada
- Private
 - Right to transfer shares is restricted
 - Number of shareholders is limited to 50
 - May not issue shares to the public
- Public
 - Sells shares to the public
 - Subject to stricter regulations for filing financial reports
 - Must file a prospectus if shares are being sold to the investing public
- Cooperative
 - An organization that emphasizes working together as a way of building community involvement by supplying needed goods and services at a lower cost
- Franchises
 - A business established or operated under an authorization to sell or distribute a company's goods or services in a particular area
- Family business
 - Enterprises controlled by families (usually through private corporations)

Oligopoly - Type of competition where the few sellers in an industry behave similarly

Governance

- Themes: **How an organization steers itself**
 - Values
 - Rules
 - Processes
 - Impact
 - Accountability
 - Responsibility

Corporate Governance: Definition

- The processes, structures, and relationships through which the shareholders as represented by a board of directors, oversee the activities of the business enterprise
- Three key players in corporate governance
 - Shareholders
 - The de-facto owners of the corporation
 - Interested in return on investment
 - Board of Directors
 - Responsible for governance
 - Elected by shareholders to represent shareholder interests
 - Fiduciary duty

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- Duty of care
- Responsibilities of the corporate board of directors:
 - Accountability
 - Management and control systems
 - Disclosure
 - Financial reporting
 - Shareholder and stakeholder rights
 - Risk
 - Performance
- Officers
 - Senior employees who oversee daily operations
 - President
 - Chief Operating Officer
 - Members of the senior management team
- Corporate governance affects many parties, both direct and indirect:
 - Shareholders
 - Employees
 - Suppliers
 - Pension funds
 - Communities
 - Government

Strengths	Weaknesses
<ul style="list-style-type: none"> • Prevents concentration of power • Maximizes freedom • Disperses individual allegiances • Creates diversified loyalties • Provides safeguards 	<ul style="list-style-type: none"> • Pursuit of self-interest • Proliferates organizations with similar goals • Forces conflicts • Promotes inefficiency

- Civil society

Pluralism

- A condition in which there is diffusion among society's many groups and organizations - a wide decentralization and diversity of power concentration

Pluralistic Society

Stakeholders

- Individuals and groups with a multitude of interests, expectations and demands as to what business should provide to society

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- Shareholder viewpoint: a business exists to make money – greatest efficiency is achieved through profit maximization

Identifying Stakeholders

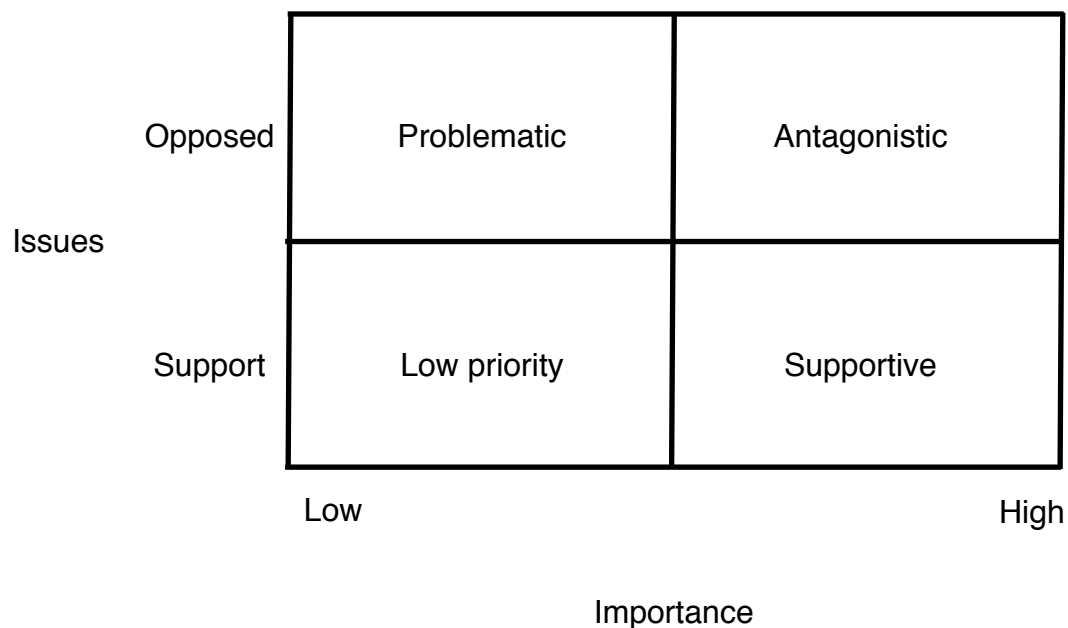
- Internal stakeholders
 - Employees, shareholders, managers
- External stakeholders
 - Customers, suppliers, government, competition, community
- Primary stakeholders
- Secondary stakeholders
- Market stakeholders
- Non-market stakeholder

Identifying Key Stakeholders

- One who can exert influence and sustain a positive or negative effect on the organization
- High interest and high power to influence = key

Nutt and Backoff

- Problematic
- Antagonistic
- Low priority
- Supportive



- Primary and Secondary Stakeholders
 - Primary stakeholders
 - Have a direct interest in the organization and its success

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- Secondary stakeholders
 - Have a public or special interest in the organization
- Core, Strategic, and Environmental Stakeholders
 - **Core stakeholders** are essential to the firm's survival
 - **Strategic stakeholders** are directly affected by threats and opportunity the organization faces
 - **Environmental stakeholders** are all others in the organization's environment
- Legitimacy, Power, Urgency
 - **Legitimacy** is the perceived validity of the stakeholder's claim to a stake
 - **Power** is the ability of a stakeholder to produce an effect
 - **Urgency** is the degree a stakeholder's claim demands immediate attention
- Mitchell, Agle, and Wood: Stakeholder salience
 - Power, legitimacy and urgency - any party possessing at least one of these attributes is a stakeholder
 - Latent stakeholder possesses only one attribute
 - Expectant stakeholder possesses two attributes
 - Definitive stakeholder would possess all three attributes



How Canadians Govern Themselves

- Examples of Provincial Legislation Powers
 - Natural resources
 - Prisons
 - Hospitals
 - Charitable institutions
 - Education

Canadian Federal Government

- Canada governs through the Westminster Model of Government
- Three Branches of Government
 - 1. Legislative - The House of Commons and the Senate
 - Focus on legislation
 - Holding government to account
 - 2. Executive - Prime Minister, Cabinet and the Public Service
 - Government policy direction
 - Program and service delivery
 - Government administration
 - 3. Judicial - independent of Cabinet, Parliament or of any other state institution
 - Interpretation of the law and enforcement through the courts

Stages of a Bill - Legislation Process

House of Commons

1. Introduction of a Bill (proposed legislation)
2. First Reading
3. Second Reading
4. Third Reading
5. Senate
6. Royal Assent
7. Law

- Public Bills
 - Government bills introduced and sponsored by a minister
- Private Bills
 - Matters of particular interest or benefit to a person or persons including corporations

Parliamentary Committees

- Standing Committees
 - Focus on substantive sphere of government policy
- Special Committees
 - Examine specific issues
- Legislative Committees
 - Examine specific government bills after they have passed second reading
- Committee of the Whole
 - All members from either the Commons or the Senate
- **Executive Branch** of Government
 - The Prime Minister
 - Cabinet
 - Public Service

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- Prime Minister and Cabinet Ministers make all majority policy decisions
- Cabinet
 - The committee of senior ministers responsible for controlling government policy
- Judiciary - third branch of government

Public Policy: Whatever governments choose to do or not to do

Public Policy Process

1. Problem identification/definition
2. Setting the agenda
3. Formulating the policy
4. Implementing the policy
5. Evaluating the policy

Communities

- Can be occupational (physicians, accountants)
- Can occur within organizations (professors, accountants, auditors)
- Can be based on: skills, gender, age

Civil Society - Social Segment

Who is included?

- United Way
- Foundations
- Charities

What characterizes the segment?

- Based on good neighborliness and social trust
- Value system is reciprocity-based:
 - Engagement
 - Commitment
 - Trust
 - Obligation
 - Cooperation
 - Collaboration
- Bonding force. Social glue that helps unite diverse interests.

Ethics

- Ethics, or moral philosophy, is the systematic endeavour to understand moral concepts and justify moral principles and theories
- Concerned with action and practice
- Concerned with values as fundamental beliefs, not what is, but what ought to be
- Normative, not descriptive

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- Sets standard of behaviour
- What is an ethical person?
- What is an ethical business?
- What is “good”?
- What is “bad”?
 - Good
 - Acting according to “what ought to be”
 - Bad
 - Something that is below standard or expectations with respect to ethics or decency

Aristotle

- Happiness is not a sensorial thing (like joy, pleasure over pain, etc)
- It is living a good life, reaching your potential
- Quest to a good life is provided by reason

What is Business Ethics?

- The application to business strategy of ethics, the study of morals or principles of what is right or wrong in human behaviour - Edmund Marshall

What is Managerial Ethics?

- The standards of behaviour that guide individual managers and their work - Thomas Donaldson and Thomas W Dundee

Importance of Ethics

- Perception of CSR reflects the ethical approach of a company
- Senior management will generally be judged by the public on the company’s CSR stance
- Ethical practice and conduct are of critical importance for a company

Categories of Moral Philosophies Related to Ethical Conduct of Business

1. Consequentialism
2. Deontology
3. Social Contract
4. Virtues ethics

Consequentialism

- Evaluates the morality of an action by examining its consequences

Egoism

- Any action taken by an individual to further his or her self-interest

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Utilitarianism

- Any action taken whose outcome maximizes the greatest good for the largest number of individuals is ethically justified
- Pleasure over pain

Deontology

- The theory of duty
- “Doing the right thing”
- Acting from a sense of duty rather than concern for consequences or anticipating the results of a decision

Social Contract

- Rejects the idea that ethics can be grounded solely on facts

Personal Virtue Ethics

- A person acquires virtue by habit, guided by practical wisdom and reason
- What a “good” person would do is what is ethical

Josephson’s “bell, book, candle” approach

- Bell
 - Listen for the bells warning you of an ethical decision
- Book
 - Check to see if there are any laws, regulations or rules which restrict your choices
- Candle
 - How will your decision look in the light - could a reasonable person conclude you acted improperly?

Framing a Problem

- Salience with **personal goals** - how might the decision on this issue affect my personal goals?
- Salience with **personal norms** - will my decision on this issue be consistent with the way I would expect myself and others to behave in this situation?
- Salience with **personal beliefs** - will my decision on this issue be consistent with the way I would expect myself and others to view this situation?
- Salience with **personal values** - which of the above three moral standards is the most important to me?

Ethics and Values in Government

- Ethics is a subset of values.
- **Democratic Values:** Helping Ministers, under law, to serve the public interest
- **Professional Values:** Serving with competence, excellence, efficiency, objectivity and impartiality

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- **Ethical Values:** Acting at all times in such a way as to uphold the public trust
 - **People Values:** Demonstrating respect, fairness and courtesy in their dealings with both citizens and fellow public servants
-
- Giving gifts (using taxpayers' money)
 - Hospitality
 - Conflict of interests
 - Transparency vs cabinet confidence
 - Insider knowledge
 - Relationships built on trust

Determinants of ethical behaviour in organizations by rank

1. Behaviour of superiors
2. Behaviour of peers in the organization
3. Ethical practices of one's industry or profession
4. Society's moral climate
5. Existence of formal organizational policy

The Pagano Model

1. Is it legal?
2. The benefit cost test (the greatest good for the greatest number?)
3. The categorial imperative (do you want this action to be a universal standard?)
4. The light of day test (what if your actions appeared on TV?)
5. Do unto others (do you want the same to happen to you?)
6. The ventilation test (get a second opinion from someone with no investment in the outcome)

Project Coffee Stakeholders

Stage/Stakeholders	Issues: Economic/Social/Environmental
<p>1. Producers of Product (Raw Form):</p> <ul style="list-style-type: none"> • Large plantations • Small farms • All in developing countries <p><u>Stakeholders:</u></p> <ul style="list-style-type: none"> • Farmers • Laborers • Plantation owners • Local governments • NGO's 	<ul style="list-style-type: none"> • Low prices, especially to small farms • Low wages for labour • Working conditions, long hours with modest food in high temperatures, possible armed guard supervision • Health issues from work • Demographics of labour: children, women, elderly, uneducated • Workplace safety and equipment may be lacking • Small farms competing with large operations • Climate and environmental considerations: sun growth vs shade growth • Environmental degradation: deforestation, water pollution, pesticide use, disruption to wildlife (i.e. migratory birds) • Small number of large land owners benefit • Fair trade issues • Local taxes and development. corruption, exploitation risk
<p>2. Wholesalers and Exporters (Processors and Traders):</p> <p><u>Stakeholders:</u></p> <ul style="list-style-type: none"> • Owners • Governments • Competitors • Suppliers 	<ul style="list-style-type: none"> • Profitable operations • Can work to get higher prices on the market that they can send back down the chain • Can choose whether or not to export social (fair trade) coffee • Unstable commodity markets; product quality • Taxation, international trade, tariffs, licenses, etc. • Corruption risk, crime
<p>3. Importers/Roasters/Distributors:</p> <p><u>Stakeholders:</u></p> <ul style="list-style-type: none"> • Owners • Governments • Competitors 	<ul style="list-style-type: none"> • Fair trade legitimacy; branding • Mark-ups, product quality • Regulation (in and out of countries) • Transportation to market costs • Tax revenues, customs

ADM1301B - The Social Context of Business

Stage/Stakeholders	Issues: Economic/Social/Environmental
<p>4. Marketers/Retailers/Vending Machines:</p> <p><u>Stakeholders:</u></p> <ul style="list-style-type: none"> • Employees • Government • Competitors • Business customers • Consumers 	<ul style="list-style-type: none"> • Marketing strategies • Attempts to lower age of consumption (advertising to young) • Opportunity to purchase “fair trade” coffee • Initiatives to stop exploration of industry/ labour in producing areas • High prices of “final” cup • Public health issues, product safety • Taxes and other government revenues
<p>5. Final Consumer:</p> <p><u>Stakeholders:</u></p> <ul style="list-style-type: none"> • Owners • Employees • Consumers (coffee drinkers) 	<ul style="list-style-type: none"> • Many unaware of producer issues • Demanding exotic coffees • Low wages of employees • Caffeine addiction • Personal satisfaction, lifestyle