BUSINESS ETHICS: CORPORATE AND PERSONAL

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PART 1 – INTRODUCTION TO BUSINESS ETHICS & EVOLUTION OF BUSINESS ETHICS

Here are our learning objectives for this chapter:

a) Inspect Unethical Behaviors in Organization

b) Analyze Human Nature and Business Ethics

c) Estimate Costs associated with Unethical Behaviors

d) Examine Historical Flow of Civilization

e) Experiment Best Practices

a)   Inspect Unethical Behaviors in Organization

Before inspecting unethical behaviors in organization, let's discuss what Business Ethics is:

Business Ethics:

"Business ethics comprises organizational principles, values, and norms that may originate from individuals, organized statements, or from legal systems that primarily guide individual and group behavior in business (Ferrell & Fraedrich).

In simpler terms, business ethics is the amalgamation of values, norms and principles that business follow. Let's watch this short 4 minute video to understand ethics better.

[What is Ethics?](#)

Ethical Issues at Work:

How many of us here witness ethical issues at our workplace every once in a while, or perhaps, all the time?

Let's identify common types of unethical behavior at workplace:

- **Misusing company time:** We all know this in and out! Misusing company time is on the top of the list for unethical behavior. People walk in late or leave early from work. These lost hours are unaccounted for which eventually ends up in lack of productivity. This can happen by missing deadlines, delayed responses to emails, doubts and lack of clarity in workflow, and/or following directions. Misusing company time also includes browsing for fun things from work computer while at work, shopping online, paying bills and taking care of personal work.

- **Abusive Behavior:** Next on the list we have abusive behavior. Bullying at workplace is a common misconduct that happens almost everywhere. Please watch this 14 minute Ted talk. Clive is a Professor of Leadership and Organizational Behavior at Middlesex University in England. For the past seven years, he has studied the evidence and effects of toxic leadership, and in particular the influence of the presence of corporate psychopaths on various workplace outcomes, including on levels of conflict and bullying at work.

   Corporate Psychopaths

   Abusive behavior also takes place when managers and supervisors use their position or power to mistreat or disrespect employees through violence and discrimination.

- **Discrimination:** "The unjust or prejudicial treatment of different categories of people or things, especially on the grounds of race, age, or sex is called discrimination" (Ferrell & Fraedrich)

Discrimination can be on the basis of:

- race

- color

- religion

- sex

- marital status

- sexual orientation

- public assistance status

- disability

- age

- national origin

- veteran status

- political opinions

*Discrimination is considered illegal in United States.

Here is a chart that shows the charges of discrimination filed with EEOC (Equal Employment Opportunity Commission) from year 1997 to 2016: The image below is adopted from EEOC website.
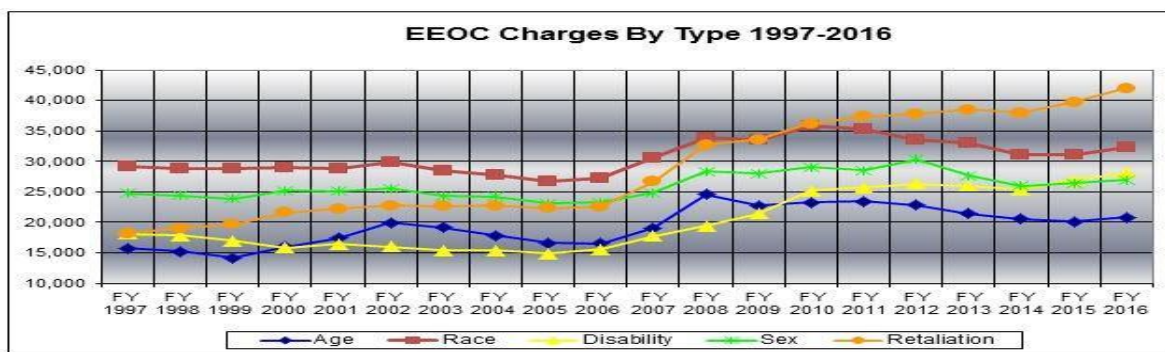
You can check out the current status on this using EEOC Website

- **Employee Theft:** On an average 1 out of 40 employees is caught stealing from their employer. Recently, FBI has reported that employee theft is the fastest growing crime in the United States. Theft of erasers, pens, pencils to bigger commodities like computers, laptops, machinery parts, etc. are included under employee theft. Data Theft is one of the biggest crimes in the world. Learn more about Data Breach here: [Data Breach](#)

- **Lying to Employees:** People engage in all sorts of dishonesty and lying is one amongst them. An employee lying about educational qualifications and exaggerating their skills can be very deceptive and can lead to wrong decisions managerially. According to the [Association of Certified Fraud Examiners](#), companies lose upto 3.5 trillion each year due to deception and lying. This definitely impacts organizational productivity, employee morale and satisfaction. When people can no longer trust each other, a company becomes the most disinterested place to work with.

- **Bribery:** We saved the best for the last. "Bribery is the practice of offering something (often money) in order to gain all illicit advantage from someone in authority" (Ferrell & Freadrich). There are 2 types of bribery – active bribery and passive bribery. You may have guessed by now. The person who promises to give the bribe and commits offense is active and the person who is in the receiving end is the passive. Let's bring in the example of Ralph Lauren. How many of you like this brand? Or probably used this brand? This brand has a very famous scandal on bribery. Here's

- the news clipping from CNN: [Ralph Lauren Admits Bribery at Argentina Subsidiary](#)

b) Analyze Human Nature and Business Ethics

Human Nature: It refers to moral, psychological, and social characteristics of human beings. (Collins)

Analyzing human nature and business ethics is important because employees, customers, members, supervisors, managers are all human beings and have diversified ideas norms and values even though they all work for the same organization. It is crucial to study this because trusting each other is of utmost importance especially when everyone has diversified values and opinions when making decisions. While we analyze this, it is also important to know the difference between Ethical Issue and Ethical Dilemma.

What is an Ethical Issue?

An ethical issue is a problem, situation, or, opportunity that requires an individual, group, or organization to choose among several actions that must be evaluated as right or wrong, ethical or unethical.

For example:

One of the fundamental ethical issue found in most places is discrimination of employees. Treating an employee differently based on gender, religion, culture, etc. is considered discriminatory and unethical.

What is an Ethical Dilemma?

An ethical dilemma is a problem, situation, or opportunity that requires an individual, group, or organization to choose among several actions that have negative outcomes.

There is no right or ethical choice in a dilemma, unless unethical or illegal choices as perceived by any and all stakeholders.

For example:

A manager of a business may be put in a position in which he must choose between the interests of his employees and his investors. *Give more profits or increase the salary?*

Recognizing an ethical issue is of absolute importance to any organization. Failure to acknowledge issues can lead to danger. In other words, *Ethical awareness is of high importance. (Ferrell & Fraedrich)*

There are so many theories about human nature and cognitive development that are linked to human ethical decision making. One question lingers in our minds always. That is "Why do good people behave unethically?" While there is no direct answer to this, there are a few of ideas that are related to this question and are sought as answers.

- Unintended unethical outcome

- Compelling reasons to validate unethical behavior

- Choosing unethical behavior due to fear of losing

c)   Estimate Costs associated with Unethical Behaviors

When ethical issues arise, there are many costs involved which could be detrimental to the organization's future.

Here are a few costs involved:

Legal costs: Lawsuits are the most common types of costs involved and can be dangerous as well. Lawsuits sometimes takes years to settle and needless to say that costs keep recurring/increasing depending on the severity and depth of the lawsuit. This process involves time, legal expertise and funds and is very tiring. Here's an interesting case study on Tobacco: **United States v. Philip Morris (D.O.J. Lawsuit)**

Employee Theft Costs: We already discussed that employee theft is one of the biggest growing crimes in the United States of America. Employee theft cost is a direct expense incurred by the company for hiring untrustworthy employees. Of course this may come unpredicted as well as for the most part it's the employee's responsibility to give accurate information. But, it also happens that companies hire a person assuming employee's capabilities. Either way the company incurs the costs. Check out the **Annual Retail Theft Survey** for mind blowing statistics on how much money was involved in retail theft.

Reputation Costs: Anything adverse that affects a company automatically affects the reputation of the company. Reputation is a company's most important asset without which it cannot survive. Let's discuss the Wells Fargo Bank's recent fraudulent activity. Please watch this 4 minute video on **How Wells Fargo created fake accounts?** When lawsuits and accusations appeared in the media, Wells Fargo's reputation automatically came down.

Monitoring Costs: This type of cost is important especially when an organization learns that an employee has lied in the past. Such employees may need constant monitoring. Heightened supervision is required. Company needs to ensure that compliance procedures are met. An example for this is Wall Street, JPMorgan Chase spent more than $700 million over 3 years to ensure that compliant procedure are consistently met. This kind of cost can be huge.

Abusive Treatment Costs: How many of us have had experience with verbally abusive manners from our superiors? Unfortunately this is not very uncommon. Employees have their own ways of getting even with the abuse they deal with. This shows in their productivity. Employees may show disrespect to other employees, which can reflect in the other employee's performance as well. Some employees take this issue to the internet. They post on blogs and other online forums which could potentially hurt the reputation of the company and the manager. Data shows that approximately 13% of the employees in United States deal with this kind of abusive treatment.

d)   Historical Flow of Civilization:

Let's examine the flow of civilization here (excerpt from Collins)

Poverty Flow:

1993 had one of the extreme poverty levels and did you know that around 2 billion people lived on a wages of $1.25 per year? 2020 has been a year of ups and downs for many. Statistics indicate that over 140 million people could fall into extreme poverty in 2020.

Health Flow:

There are so many vaccines available in today's world. These vaccines are administered to both adults and children for preventable diseases. Did you know that in 1990, almost 13 million children around the world died from preventable disease? In 2019 these numbers have definitely come down. However, even now around 5 million children die every year from preventable diseases.

Education Flow:

In 1980, only 50% of all girls in developing countries completed primary school. While this rate has increased to almost 85% in 2020, there are many developing countries that are still facing hurdles when it comes to educating a female child.

Democracy Flow:

17 developing countries were democracies in 1983. As of the end of 2017, 96 out of 167 countries with populations of at least 500,000 (57%) were democracies of some kind, and only 21 (13%) were autocracies. Despite global concerns, a lot of changes happened and is still happening with more countries changing democratic.

All human beings started as cave men and women. Then tribal men and women engaged in scavenging, hunting, gathering food, etc. They worked together. Then an earth and its beings evolved, men and women divided work. Men hunted for food and women collected grains, fruits, water, etc. The as civilization progressed, we may have read about slavery. It existed almost in all ancient civilizations. From millions of years ago until now, as you can see these changes are bound by certain ethics and laws. Ancient Mesopotamian civilization even had scriptures stating business ethics and laws even for contracting violations. We have evolved so much since then but all the ancient laws and practices is the foundation for today's ethics.

e)   Experiment Best Practices:

After our discussion from this chapter, here are some best practices that all of us can practice in order to maintain ethicality in business and personal world:

- Persuade employees and individuals of the importance of being ethical

- Conduct multiple trainings for all levels of employees

- Ensure that program content is communicated across the organization

- Ensure periodical assessments of the ethics program

- Reward the employees for taking the training

- Focus on particular unethical activities of employees especially when they are repeated

- Refrain from blaming the employee even before analyzing the issue

- Analyze if there was an unrealistic work goal that made employees choose the other way

- Develop plans to measure metrics and success

- Hold yourself accountable for the tasks that you do instead of blaming others

PART 2 – ONBOARDING AND TRAINING

Here are our learning objectives for this chapter:

a) Examine Hiring ethical people

b) Explore Six-Step Ethics Job and its importance

c) Experiment Best Practices

a) Hiring Ethical People:

Let's take this simple situation as an example: Imagine that you are the hiring manager and is assigned the responsibility of hiring a new person to your team. You are looking at various resumes and profiles and are finally impressed by a particular resume of a candidate called John. You go through the interview with John and finally arrive at a result that he is the most suitable for the job. And, John is hired.

After 2 weeks into his new job, John starts to slack off. He is not being as productive as you expected him to be. He is also showing signs of not understanding his job thoroughly. Then into John's third week, he walks into your office and confesses that the skill set he has posted on his resume were fake and that he did that because he badly wanted to get the job. He also confesses that he is not qualified enough to do the work he is expected to do in his new job. He further says that everything else on the resume is true except his skill set and experience.

In this example, John lied about his skill set and was hired based on false information. What would you do? Would you fire John because he lied? Or would you provide him a second chance? Or, would you hire the second finalist in the interview? As you can see this situation

is complex and involves a lot of time, effort and money. Interviewing and hiring a potential candidate is not an easy job. Often, interviewers have to screen from the hundreds and sometimes even thousands of application they receive for a single position. They also have to allocate time to go through everyone's resume and then the process of scheduling interviews. Let's say that an interviewer schedules 2 interviews of approximately 45 minutes each, it sums up to 1.5 hours every day of the week resulting in almost 8 hours of just interviewing. Then after all that process is done, there may be second level, and potentially a finalist panel. Then the hiring takes place. Next comes new employee orientation, etc.

To know that the hiring decision was not right because unintentional fraud committed by the candidate and that all those hours spent is now seeming like a waste could be very frustrating. Therefore, hiring ethical people is of utmost importance. A wide range of methods are available to help managers determine a candidate with ethics. These methods save everyone from the above mentioned hassle and going through the tough scenario of firing a newly hired employee. Let's take a look the six-step ethics screening process.

b) The Six-Step Ethics Job Screen Process:

Imagine that you are the hiring manager again and there are two potential candidates that seem equally qualified for the job you are interviewing. Whom will you pick? To simplify this confusing situation, the six-step job screen process is used. Let's discuss this in detail:

- **Ethics Screen Notice:**

Organizations select people who have the right fit (especially with work culture) with the company. Employees leave the organization when they realize that they are not a right fit anymore or if the fit is inappropriate. Here's the equation:

Strong fit = strong morale = high productivity

Weak fit = weak morale = low productivity

Job fit always begins with creating the job with realistic description. As a hiring manager, review the job description before it is posted on the job sites. Ensure that the ethical aspects of the company are listed on the job profile. This attracts people who practice ethics and value ethics as second nature. This also discourages people who are unethical to apply for the position. Work becomes more meaningful and productive when employees are like minded and value ethics. Making sure to let the candidates know of the company's core values and integrity is of high importance as this sets the expectations for the candidate right from when they apply.

Here's an important question: Is this ethics screening process an invasion of privacy? It is important to let the candidate know that the ethics screen process will focus only on job-related issues and not any activity unrelated to work. This will help the candidate become comfortable with raising questions and discussions at work with managers and other employees. If the applicant is not comfortable with this transparency, then there are chances that this applicant is not the right person both for the job and for company's integrity.

Here's an example of Ben & Jerry's. This ice cream company takes an extra step to educate and inform people about their social mission and their integrity policies. This will attract like-minded people to work for them. Take a look at [Ben & Jerry's Hiring Practices](#)

Also take a look at [Ben & Jerry's values](#)

- **Legal Ground Rules:**

Back in the days (sadly some places even today) had discrimination when it comes to hiring people. If you travel back to the 1950's newspaper job advertisements had sections separately for male and female jobs. Have you seen job advertisements in the 50's and 60's saying "XYZ need not apply" or only "XYZ can apply?" XYZ here denotes a particular gender, or ethnicity, or race, or even a particular subset under a religion. If you travel back to the 1950's newspaper job advertisements had sections separately for male and female jobs. In order to avoid discrimination claims, certain rules of governing came into existence. Let's take a look at some of those:

Title VII of the Civil Rights Act:

This Act came into effect in 1964 and it prohibits business and organizations from discriminating employees or job applicants based on one's color, religion, race, sex, and national origin. This Act was later expanded to protect people who had physical and mental disabilities.

Here's more information on [Title VII of the Civil Rights Act](#)

The EEOC, Equal Employment Opportunity Commission was created in 1965 to oversee Civil Rights Act.

Here's an [Overview of the EEOC](#)

Disparate Impacts:

Disparate impact is often referred to unintentional discrimination. Unlawful disparate impact can happen at workplace. Let's take this situation for example: How many of you have heard of people being employed because of recommendations or word-of-mouth? Companies sometimes find this advantageous because recommendations usually happen to an applicant when the person has the qualifications that the company is looking for. Companies call this high-quality-employee set. But this can also attract people of the same kind. For example, the person recommending an applicant can be of a certain race/religion and can find it beneficial and advantageous to hire someone of the same race or religion. This creates unintentional discrimination.

Here's an example of a famous beverage company, Pepsi. It took $3.1 million for the company to settle a case against them on racial discrimination. Pepsi conducted background checks of all employees and eliminated an applicant pool of candidates with arrest records. What happened after this costed them more than 3 million. When they eliminated the candidates with arrest records, it automatically made the company have Caucasians majority. While the company did not intentionally discriminate against African Americans, the applicants who were eliminated were mainly from the other group. This put them into big trouble.

Take a look at the actual case: [I'll Drink to That! Pepsi Pays $3.1 in Racial Bias](#)

Alcoholism:

This is a big question in hiring always. Can you hire a person who is an alcoholic? According to the NCADD, National Council for Alcoholism and Drug Dependence, over 17 million people suffer from alcohol or other drug abuse. Hiring a person with alcohol problems can be risky as they tend to be late to work, show less productivity, or show frequent absences. This is also risky, say for example, if the employee is hired for driving trucks for delivery of goods, it is very dangerous as well. Alcoholism is considered as a disability under Disabilities Act, therefore it is illegal to ask questions about alcoholism while interviewing. Under these circumstances, the employer can hire a person based on their ability to perform the task.

Undocumented or Illegal Immigrants:

This is an increasing issue here in the United States of America. People from various countries flee from their own countries and come to the United States due to various reasons such as political unrest in their country, poverty, other crimes, etc. looking to have a good future here. Hiring an illegal immigrant violates federal law. But it is not the best idea to ask an interview candidate about this directly. Here is a statement recommended by EEOC to be included on the job applications.

"In compliance with federal law, all persons hired will be required to verify identity and eligibility to work in the United States and to complete the required employment eligibility verification form upon hire."

This helps immensely with the screening for the right candidate during hiring.

- **Behavioral Information:**

When hiring a candidate, it is important to get accurate behavioral information from items such as resume and reference letter. It is also good idea to do background checks and integrity checks as well. This can clearly give an idea as to whether the person is a good fit for the organization.

Resumes gives a clear picture of the past accomplishments of the candidate. This information is valuable as this will indicate whether the applicant is suitable for the job. For example, if an applicant has worked with community organization, or non-profits, you can tell that the person is active in the community and can match that based on the requirements of the job profile. If the applicant has worked with companies with high integrity, then it is a sign that the applicant may also have high integrity and standards.

But, there are drawbacks to hiring a person based on their resume only. There are chances that the applicant may have lied on the resume. Did you all know that lying on a resume is a crime and can impact one's career? Here's an example of the former Dean of Admissions from Massachusetts Institute of Technology, Marilee Jones, who provided fall information about her credentials and maintained the secret for about 28 years. Here's the article. Take a look at it: [Dean at M.I.T. Resigns, Ending a 28-Year Lie](#)

Reference checks are important as they provide information about how the candidate performed in the past. This will help hiring managers make a decision as they can evaluate whether the candidate is a good fit or not. It also gives the opportunity for the hiring company to get to know how they candidate has performed. If the candidate has performed poorly in

the past organization, then the chances of the former employer giving him a good reference is doubtful. This can save the hiring company from a lot of trouble.

Let's take an example of this case here. Kathleen Digan, 28 years, was hired by American Eagle Airlines. The airlines company failed to notice that the pilot Ms. Digan had spotty flying record at her previous company. A commuter airliner she was in control of crashed and killed all 12 people on board. She was blamed for the air crash. Here's more information on this case study: [Investigators Blame Pilot for AVAir Crash](). Incidents like this costs the reputation of the company and it takes a very long time and lot of effort and money to get the reputation back.

Background Checks are another inevitable part of the screening process. Running a background check on the candidate for educational accomplishments, credit checks, criminal records, social media checks, etc. is of high importance. While the educational qualification is mentioned on the resume of the candidate, doing a background check on the same will prove whether the information provided is true or not. Furthermore, it also provides information about other qualifications such as seminars, workshops or conferences attended by the candidate that can help the employer determine the fit and can come in handy while recruiting.

When it comes to jobs handling cash, for example a position in a bank, it is important the employer knows that the candidate is responsible enough to handle cash. While credit checks can give greater assurance to the hiring company, it can also cause discrimination based on income levels and low wages earned by people. But, one thing to note is that Title VII does not prevent employers from doing credit checks on potential candidates. But hiring companies

must be extremely cautious as this could cause disparities. Here's more information on checking credit scores for job screening. [Fair Credit Reporting Act](#)

Criminal Records are looked at keenly by hiring managers while choosing potential employees. This is a burning problem for people who are former inmates. Studies show that former inmates are not able to find a job after they are released from prison. It takes minimum 5 years for them to get a job. How will they be able to provide for themselves and their families if they are not given jobs because of the company's hiring policies? The other side of the argument is that an employee should not put himself and his co-workers, or the environment in danger. People with criminal records are restricted from certain occupations as they pose a greater risk to industries such as childcare centers, security screeners, etc. In fact the United States of America maintains a sex offender registry which is a database where the crimes are updated.

Here's an example from McDonald's: The Company paid $200000 in damages for hiring a janitor who sexually assaulted a 3 year old. Apparently the company had conducted a background check but the state agency did not mention the fact that the person had a criminal history for child molestation. Once again, the reputation of the company is at stake.

Social Media Checks is one of the most controversial checks so far. It is not uncommon for a hiring company to look you up on the internet and check your background and activities. Some may argue that personal life is different from professional life and therefore companies should not look at their personal accounts on social media. While others may argue that who you are in your personal life reflects on your professional life too. According to Collins, here are some best practices for socially responsible use of online background check.

- Check background online only if there is a legitimate reason and if the information is related to the job

- Ensure that you provide notice to the employees ahead of time that online background check will be done

- Always refer to Title VII guidelines and do not reject an employee after getting to know of a certain disability

- Provide the candidates an opportunity to clear any doubts you may have with regards to online background check

- **Personality Traits and Related Characteristics:**

Getting to know the applicant's personality is of utmost importance as this provides a broader picture of the psychological state of the applicant. There are so many tests available online that measures personality of a person. Of all of those let's focus on 3 tests.

Conscientiousness:

According to Psychology Today, "Conscientiousness is a fundamental personality trait—one of the Big Five—that reflects the tendency to be responsible, organized, hard-working, goal-directed, and to adhere to norms and rules. Like the other core personality factors, it has multiple facets; conscientiousness comprises self-control, industriousness, responsibility, and reliability." A conscientious person tends to have more self-control and impulse control on his/own self. Conscientiousness is a strong indicator of ethical behavior of a person. Hiring conscientious people can help the organization as they tend to be more conscious of their behavior and ethicality. This is a big plus for any organization.

Have you taken a test to see how conscientious you are? Here's one, try it out!

How conscientious are you?

Organizational Citizenship Behavior (OCB):

Starting from Kindergarten to the actual workplace that you are at, your citizenship matters a lot. According to AIHR Digital, "Organizational Citizenship Behavior is a term that's used to describe all the positive and constructive employee actions and behaviors that aren't part of their formal job description. It's anything that employees do, out of their own free will, that supports their colleagues and benefits the organization as a whole." In short, it means going above and beyond your abilities to help others succeed too. OCB is measured based on 7 factors according to Collins. They are:

- Helping Behavior
- Organizational Compliance
- Individual Initiative
- Organizational Loyalty
- Civic Virtue
- Self-Development
- Sportsmanship

Social Dominance Orientation (SDO) and Bullying:

Research says that Social Dominance Orientation is a measure of an individual's support for group-based hierarchies. It reflects a person's attitudes toward hierarchies in general, as well as beliefs about whether one's own group should dominate other groups. This is extremely

important in corporate world as working with a team is undeniable. Researchers have found that people with high SDO are associated with racism and sexism.

Workplace bullying is another issue that any employees face in today's world. Sadly this is also increasing. Research states that people who are exposed to bullying can have a negative impact on their body and mind such as stress, insomnia, depression, low self-esteem, anxiety, etc. This shows as low productivity at workplace too. According to Collins, here are a few questions that can be asked if the job applicant has

- Purposefully withheld information from others that negatively affect their performance
- Assigned unmanageable workloads or unreasonable/impossible target/deadlines
- Humiliated or ridiculed subordinates or co-workers

Mental Disability Tests:

One thing to be noted here is the difference between general personality tests and mental tests. Mental disabilities can affect the workload and performance by an employee. Did you know that it is illegal to ask potential candidates whether they have been treated for any mental conditions? There are certain types of jobs though that require mandatory mental health screening due to the nature of the job itself. For example, if a person is working as an armed security, or in a highly stressful nuclear power plant.

- **Interview Questions:**

Preparing interview questions that address ethical issues are of utmost importance to hire the right candidate. Here are some questions you can include in the interview:

- Tell us your experience with handling an employee whom you caught stealing a product. How did you respond? What measures did you take in order to prevent this from happening?

- Tell us your experience with handling a sexual assault case workplace. How did you respond? What measures did you take in order to prevent this from happening?

- Have you been asked to do something unethical at workplace by your supervisors or managers? How did you respond?

Virtual Lie Detection can also be a great tool in identifying whether the candidate is telling the truth or not. Look for body changes, changes in posture, and changes in breathing. Sweating, fidgeting around, or tapping the legs all of a sudden are all examples of mental instability trying to cover up something (such a lying). Verbal cues are also sometimes easily noticed when a person says uhhh, ummm. Ahhh, etc. And in case you do spot a lie told by the candidate right in front of you, do not confront the candidate as the above mentioned signals can also be signs of nervousness. It is a good idea to just be polite and ask the candidate to explain what you need more in-depth answer. By now, you should be able to tell if the candidate is lying.

- **Post-Interview Tests:**

After the interview, certain types of jobs require drug tests and polygraphs. For example, nuclear reactor factory or a secret serving agency, have these tests stated as mandatory. According to U.S. Department of Health and Human Services, in 2015 27.1 million peoples aged 12 or older used an illicit drug with most using marijuana. And workplace substance abuse is estimated to cost employers over a $100 billion a year. Drugs put lives of others in danger as well. You all may know that drug testing is a part of the employee screening

process. Usage of drug can be diagnosed by testing saliva, urine, blood, hair, etc. Polygraphs are done for certain types of jobs especially the ones by the federal, state and local government.

c) Experiment Best Practices:

Here are some best practices that we learned from this chapter that we can implement.

- Investigate the truthfulness of the information provided by candidates on the job application packet.
- Ensure to check with all the references provided by the candidates to make sure they have a good record so far wherever they have had experience.
- Make sure that code of ethics is addressed.
- Ensure that ethics training program is in progress.
- Ensure that employees work goals are achievable.

PART 3 – CODES OF ETHICS AND CODES OF CONDUCT

Here are our learning objectives for this chapter:

a) Examine Code of Ethics & Code of Conduct

b) Compare the Difference between Code of Ethics and Code of Conduct

c) Create Code of Ethics and Code of Conduct

d) Examine Purpose and Importance of Codes

e) Experiment Best Practices

a)   Code of Ethics and Code of Conduct

According to Investopedia, "Code of ethics is a guide of principles designed to help professionals conduct business honestly and with integrity." These principles can be followed by any person and some of the examples are respecting people, customers, employees, community members etc. (general guiding principles)

According to Investopedia, "Code of conduct is a set of rules outlining the norms, responsibilities and proper practice of an individual party or an organization." Code of conduct provides substance to code of ethics and is usually several pages long.

New York Stock Exchange recommends that a code of conduct address the following topics:

- Conflict of interest
- Corporate opportunities
- Confidentiality
- Fair Dealing

- Protection and Proper Use of Assets

- Compliance with laws, rules and regulations

- Encouraging the reporting f any illegal or unethical behavior

b)   Difference Between Code of Ethics and Code of Conduct

Code of ethics is often confused with code of conduct and often these terms are often used interchangeably by mistake. Here are some differences between code of ethics and code of conduct:

- Code of ethics is broader, while a code of conduct is more focused.

- Code of ethics gives employees what kind of behavior and decisions are acceptable and encouraged at a business organization.

- Code of ethics has a wider scope, while code of conduct has a more narrow scope.

- Code of ethics governs the decision making of the employees and code of conduct governs more actions of the employees.

- Code of ethics is publicly disclosed while code of conduct is private and only disclosed to the employees of the company.

- Code of ethics is focused on values and principles and code of conduct is focused on compliance and rules.

c)   Creating Code of Ethics and Code of Conduct

How do we create code of ethics? Code of ethics is created to keep the morale of the company and to raise moral awareness. Keeping the language as simple as possible, avoiding jargons, or complex terminology can help anyone understand. The tone is important too. Keeping the tone affirmative and positive sets the tone for the employees as well. Keeping the tone negative or strict can bring in fear in employees and they may refrain from even reading the code in its entirety. According to Collins, here are some values that are stated in code of ethics:

- Trustworthiness

- Respect

- Responsibility

- Caring

- Citizenship

Oaths are considered public promises and is also a type of code. We have seen that professionals such as doctors, lawyers, CPAs take oaths while accepting their degree and their position in the industry.

International codes must be recognized as well. We are living in a world where international trade connections are a must and countries cannot survive without them. So respecting the international business codes such as

- Justice

- Mutual Respect

- Stewardship

- Honesty

Should be valued and followed diligently. Failure to recognize and respect the above mentioned values will make countries untrustworthy and this in turn will crumble the economy.

Many small sized to medium sized companies even now do not have a proper code of ethics. This is dangerous especially in situations when the employees handle issues when the owner of the business is absent. If the employees are not familiar with a code of ethics and do not know how to proceed with a certain issue, there are multiple chances of them resorting to unethical means which could potentially hurt the integrity of the company. Therefore, it is imperative that companies, big or small or medium sized have a code of ethics.

A lot of companies simply download a copy of code of ethics from the internet. It is important to change and adjust the code to their own company culture and policies as each organization is different and can differ in many policies. According to Collins, here are 13 steps for creating code of ethics as a team building exercise:

1. Obtain approval

2. Create a code writing team

3. Gather a list of ethical issues from the company

4. Define a code of ethics

5. Gather a list of ethical behaviors from participants

6. Determine common themes

7. Draft a code of ethics

8. Compare with other codes and modify

9. Compare with other groups

10. Code alignment

11. Code review

12. Code communication strategy

13. Code revision

d) **Purpose and Importance of Codes**

Forming a code of ethics is the first step in any ethics program. Forming a code of ethics is important as it forms the groundwork for any activities performed by the employees. It forms the boundaries within which the employees should perform. It also acts a guidelines for employees. According to Collins, here are some key benefits of having a code of ethics:

- **Align the organizational values with industry, professional, and legal codes:** Businesses are a part of the society. Business, individuals and government all these bodies need to survive in harmony. There are 4 different levels that interact with each other in the alignment. They are Individual Code of ethics, Organization's code of ethics, Industry code of ethics, and Local-state-federal laws. According to Collins, an individual seeks happiness and choses between right and wrong. Organization seeks revenue and profits, industries seek credibility and government seek peace in the community. If there are issues in-between these levels, it shows up in form or the other. It creates ethical dilemmas and more confusion. The harmony between the alignments can get messed up if employees are pressured to work unethically, if code of ethics is

weak in an organization which leads to decline in credibility in the industry. This directly leads to communal violence or disruption. A well-managed aligned code of ethics, can reduce the issues that could potentially occur.

- **Demonstrate managerial concern for ethics:** New employees play an important role in helping the organization achieving high standards. Therefore training them right off the bat is crucial. New employee training must include a huge chunk to the ethical aspects. Have the employees read the code of conduct. Have them understand the ethical aspects that the company is looking for. Create awareness by implementing various training program. When a new employee witnesses the effort taken by the company to hold standards, it will be a motivation or them too. Here's a link for you all that explains perceptions of honesty and ethical standards of a wide range of professions. Gallup Poll

- **Convey a particular set of values and obligations:** Companies should stick to their code of conduct and ethicality. As mentioned earlier, educating the employees play a major role here. Let's take this situation as an example. 5 potential suppliers are competing for a $50000 contract from your company. One of the suppliers offer a fully paid vacation package to you to go to Switzerland. Should the employee accept the offer? Or should the employee reject it? What do you think will happen here? Remember that the employees reflect the company's culture. So if the company is used to accepting offers like these, then should the employee go ahead and accept it? Is it written in the code of ethics that the company does not values bribes? Is it written in the code of conduct that accepting bribes can have serious consequences? The employee should be

rejecting the offer and should consider all the suppliers equally. This is why employees need a reliable source or a thorough guide to refer to. This will help minimize unethical behaviors.

- **Meet legal requirements and industry trends:** Do we remember SOX? Sarbanes Oxley Act which came into existence after the scandals that happened such as Enron, WorldCom, and a few notable ones. Here's a refresher on [Enron Scandal](#) and [WorldCom](#) According to Collins, with so many codes of ethics found online these days, these codes buffer their members from organizational, managerial, and work unit pressures to behave unethically. Certified professionals such as lawyers, doctors, CPAs can have their license revoked if they violate the professional code of ethics.

- **Positive Impact on Employee Behaviors:** Companies must review their code of ethics periodically. Employees are always proud to work in an ethically sound organization. This builds credibility to their profiles as well to be associated with a company that has high standards. This also develops a trust factor between the employees and the company. We all would like to work with trustworthy managers and co-workers right? This positively impacts the workers and the workplace thus ending in more productivity.

e)   Experiment Best Practices

Here are some best practices that we learned from this chapter that we can implement

- Demonstrate commitment to creating code of ethics

- Demonstrate commitment to implement code of ethics

- Demonstrate commitment to practice and follow code of ethics

- Adhere to international laws, standard and procedures

- Pursue continual improvement of code of ethics by reviewing periodically

PART 4 – ETHICAL DECISION MAKING

Here are our learning objectives for this chapter:

a) Explore Ethical Behavior Model

b) Examine The Ethical Theories

c) Experiment Best Practices

Ethical Behavior Model:

According to Collins, here is an ethical behavior model based on ethical decision making scholarship:

- Individual Characteristics: As the name suggests, individual characteristics are descriptive attributes of an individual such as age, decision style, education level, gender, locus of control, mindfulness and moral conversations, national culture, profession, religiosity, and work experience that tend to affect ethical behaviors of an individual.

- Organizational Characteristics: Organizational characteristics that could have negative impact on the employees and the company itself are trying to reach unrealistic goals, pushing the employees to reach very high standards in an aggressive way, and following only the orders from the boss (manager or director). Characteristics that can have positive impact are having an ethical work culture, implementing a positive and affirmative code of ethics, and rewarding for ethical conduct of the employees. These tend to have a lasting positive effect on the employees and in turn the company as well.

- Social Characteristics: Moral consciousness is also shaped by society. According to Hofstede, here are some paired values: Individualism versus collectivism, High

versus low power distance, masculinity versus femininity, High versus low uncertainty avoidance, long-term versus short-term orientation, Indulgence versus self-restraint.

- Individual's Moral Consciousness: According to Kohlberg, mental state predicts ethical behaviors. If an individual has high moral values, moral awareness, moral sensitivity, moral identity, strong ethical belief, strong intuitions, and strong reasoning skills tend to behave more ethically than other who do not possess these.

- Situation's Moral Intensity: According to Collins, "Moral intensity refers to issue-related factors, rather than individual or organizational factors, and determines the depth of a person's moral approval or disapproval, which gets our attention."

  According to Business ethics scholar Tom Jones, moral intensity is influenced by 6 factors: High magnitude of consequences, High social consensus, High probability of effects, High temporal immediacy, high proximity, and high concentration of effect. Here's a detailed article on the above mentioned factors:

  Moral Intensity

- Ethical Judgement: An individual's ethical judgement is influenced by societal, organizational and individual characteristics. Ethical intuitions play a major role here. Thought patterns and deeply held convictions are the key factors for decision making here.

- Ethical Intentions: When an individual has ethical intentions, it means that the person can take morally appropriate actions. Organizations sometimes aid employees by giving them decision making tools that they need.

- Systematic Rational Decision Making Process:

  Rotary International's four-way test:

  The four-way test was created in 1932. A Chicago businessman Herbert Taylor met with 4 of his managers who practiced different religions. They developed a set of principles to guide decision-making and ensure success in business. They are:

  1. Is it the truth?

  2. Is it fair to all concerned?

  3. Will it build goodwill and better friendships?

  4. Will it be beneficial to all concerned?

  Businesses can consider the above mentioned ethical principles are constant reminders while making decisions.

  Here are the steps to be followed under systematic decision making process:

  (Image is adopted from Business Ethics: Denis Collins)

TABLE 5.3 SYSTEMATIC RATIONAL ETHICAL DECISION-MAKING PROCESS

Step 1: Write the decision options in the appropriate column below.

Step 2: Apply the seven systematic rational ethical decision-making process questions to the decision under consideration to obtain relevant ethical information.

Step 3: Insert the ethical strength and weakness revealed by each of the seven ethical questions in the appropriate column below.

Step 4: Given the strengths and weaknesses, choose a decision option, explain why that option was chosen rather than the alternative options, and determine how to manage the weaknesses associated with the option chosen.

1. Who are all the people affected by the action? (stakeholder analysis)

2. What option benefits me the most? (egoism)

3. What option does my social group support? (social group relativism)

4. What option is legal? (cultural relativism)

5. What option is the greatest good for the greatest number of people affected? (utilitarianism)

6. What option is based on truthfulness and respect/integrity toward each stakeholder? (deontology)

7. What option would a virtuous person of high moral character do? (virtue ethics)

Note:

- *If answers to Questions 2 through 7 are all the same option*, then do that option.
- *If answers to Questions 2 through 7 are mixed*, then:
  - *If answers to Questions 5, 6, and 7 are the same option*, this option is the *most* ethical. But you may need to modify this decision in consideration of answers to Questions 2 through 4, or weaknesses associated with Questions 5 through 7.
  - *If answers to Questions 5, 6, and 7 are mixed*, then there is no clear "most ethical" response and make your decision by carefully considering the strengths and weaknesses of Questions 2 through 7.

Option and Its Underlying Value	Option *Strengths* Based on Application of Ethical Theories	Option *Weaknesses* Based on Application of Ethical Theories
#1:		
#2:		
#3:		
Option Chosen		
Chosen Because		
How Will You Manage Chosen Option Weaknesses?		

The Ethical Theories:

There are 5 ethical theories. They are:

1. Deontological Theory

2. Utilitarian Ethical Theory

3. Casuist Ethical Theory

4. Moral Relativism

5. Virtue Ethics

Here is the detailed video explanation by me on ethical theories.

Experiment Best Practices:

Here are some best practices that we learned from this chapter that we can implement

● Review Ethical Behavior Model

● Review Ethical Theories to ensure that you are prepared

● Aim to reach a moral conclusion for any ethical issues that may arise using the above mentioned practices

● Ensure your employees are aware of the Systematic Rational Ethical Decision Making Process

PART 5 – ETHICS TRAINING AND RESPECTING EMPLOYEE DIVERSITY

Here are our learning objectives for this chapter:

a) Explore Building Awareness and Trust

b) Examine Culture Workshops

c) Examine Code of Conduct Workshops

d) Discuss Four Dimensions of Diversity

e) Explore Workplace Discrimination

f) Conduct Diversity Training Workshops

g) Experiment Best Practices

a) Building Awareness and Trust:

It is needless to say that building awareness and trust are the most important factors when it comes to forming a code of ethics. As we discussed in our previous chapter (chapter 4) raising moral awareness of individuals forms the basis or framework for code of ethics. Raising moral awareness should be a continual process. It should not be a one-time process. The reason for this to be a continuous activity is because we do not know when new issues will arise. The organization should be prepared and equipped under all circumstances. Ethics training should help employees with the learning of ethical codes of the organization. Employees should be given examples or real life scenarios of when a problem occurred and mainly how it was handled by the employee. It should also teach the employee how to best handle a situation in case the employee

who handled it earlier failed to follow guidelines. So both good examples and the not so good examples along with guidelines of how to best solve the situation will help employees learn and be prepared in case a similar circumstance arises again.

Organizational Trust: This refers to the trust that the employees have between each other and with the organization. Trust develops between the organization and its employees after a long period. It takes time as human minds need that time and space to connect events. Trust is developed mostly by reflecting on past experiences between organization and its employees. Not only does it give a feeling of safety amongst employees, it also develops long lasting relationships. When an employee feels safe, the productivity improves, which in turn leads to increase in sales. An organization with high trust are all high-performing organizations and have high-integrity. This is reflected among the employees as well as they perform with high ethical standards. As we can see, trust is hard to earn, but once earned the organization flourishes. However, this hard-earned trust can disappear in a matter of seconds if codes are violated. This can hinder the growth of the organization. When an employee or a manager lose credibility, they are no longer trusted and it is very hard for them to build it back.

Extent of Ethics Training: We can see Ethics training everywhere. It has become very common. Many professional certifications and degree require professionals to take ethics training as a mandatory procedure. Again, we can take CPAs, Doctors and even the members of the U.S House of Representatives have to take mandatory ethics training and in some cases oaths too. More often than not, we see companies cutting costs by not conducting such trainings. While this may seem like a relief for certain

companies for cutting costs, in the long run, it will come back as a negative effect. So it is wise to consider ethics training at all times.

Who to Train? Everyone one in the company needs ethics training. It does not matter whether the person is a manager, CEO, employee, janitor, everyone will come across certain ethical issues at one point or the other. Everyone needs to handle those issues in the most ethical manner. One small issue that is not handled well can cause months/years of cleaning up to with, especially when reputation gets damaged, it takes a long time for the company to build its reputation back. Most managers and CEOs often get training periodically. There may be a debate as to who should be getting the training – whether the new employee group or the group of employees who have been working for a long time. While the training style may differ for both the groups, both the groups need training. It does not matter whether the employee is a new employee, training still needs to be given, especially an in-depth training. For long-term employee, it is a must as well as they need to know what changes or updates are done since the last training and they also need a refresher once in a while.

Web-Based Ethics Training: A lot of companies resort to web-based ethics training because of lack of facilitators, deficit in budget to pay for the training, and lack of a proper face-to-face training schedule for employees. Web-based training are effective to a certain extent but they also lack certain qualities that a face-to-face training may have. For example, web based training is provided on a platform or a database where all the employees are encouraged to log in using a username and password provided by the company. Once they login, they will have a variety of courses to take. Sometimes the companies also assign a few courses/chapters/key areas for the employees to focus on.

Content is usually given on the webpage and then it is followed by a Q&A part where employees are asked questions based on the content or chapter they read. Training sometimes gives multiple attempts for the employees to pass or will have a mandatory 70 % or 80 % or sometimes even a 100% pass rate for employees to pass the course. But, what web-based training lacks is the face-to-face interaction. Face-to-Face training gives the chance for the trainer to explain real life examples and situations that he/she have personally come across. Also, another important aspect is that employees get a chance to ask questions and doubts. This is a huge plus for because that is how we all learn! This is not available in web-based trainings. Therefore, some companies have a combination of both the web-based training and a few sessions of face-to-face training by a facilitator in order to provide an effective training session for employees.

The Workshop Facilitator: A person who facilitates training needs special skills. The most important character trait that this facilitator should possess is trust. The reason is because employees discuss various ethical issues during workshops that they have personally faced and so the facilitator should be someone whom they trust with sensitive information. Some companies hire a facilitator for these workshops. This can help the sessions run on medium grounds without any favoritism and issues. But, for this the companies should allocate separate funds for outside agencies. A lot of companies have their trusted HR person be the facilitator. A HR person also knows the company's ethical issues inside and out. But on the other hand, not many people are comfortable with sharing issues with a HR due to the chance of them being exposed or due to the fear of consequences. The best person to be designated as the facilitator is

an internal manager whom everybody trusts. This person may already know the key ethical issues and so the discussions will be realistic and relevant.

Ethics Discussion Guidelines: As we all know, many employees are not confident is sharing their experiences with others due to the feeling of fear, or being threatened or due to the fear that others may think of them as unethical. Therefore, it is best to follow certain guidelines for these workshop discussions. It is best to start with an ice-breaker. This will help the participants to relax and loosen up a bit. A lot of facilitators also start with warm-up activities where the discussion guidelines are discussed. Usually, one person talks at a time without interruption while others listen, followed by a group discussion. Similar pattern if followed for all the people in the group. Maintaining discussion confidentiality is of utmost importance. Sharing constant reminders with the participants that the personal views and stories shared by employees during the discussion should not be shared elsewhere. Gossiping about the stories shared during the workshop outside, after the workshop is over violates the code of ethics of the organizations. Employees need to be reminded of these during the workshop as well.

Framing the Training Workshop: There is no "one-size-fits-all" training program. Each organization is different and so they have to offer different training programs. In fact, no training sessions are identical. Each time companies offer a training program, the content differs based on the current situations or the recent issue that the company is facing. Some companies think that offering an ethics training may create issues as it could have the employees doubt if they are unethical. But this is also a reason why companies should provide ethics training – to solve discrepancies. If companies think the word "ethics" may cause a problem, then they can call the training anything else

that's suitable. For example, they can call the training a "team-building workshop" or they can call it a "review workshop." Whatever works! But it is necessary to have training. It is important to frame an agenda for the workshop based on what is needed at the time for the company and employees. Workshops should also be based on who is attending them, is it a group of managers? Is a group of sales associates? This way the workshops are effective.

b) Culture Workshops:

Identifying the current issues at workplace and then preparing a training that would address the current training is important. Workshop facilitators can introduce employees to the most common ethical problems experienced in the recent past and can tailor the training according to it. Typical ethical issues that can arise in an organization can be made a note of. For example, according to Journal of Accountancy there are 3 common types of ethical problems that arise in CPA firms. They are:

- Failure to return client records on time
- Failure to exercise professional care
- Conflict of interest

When those firms plan on workshops for ethics training, they need to keep the above mentioned factors in mind so they can address and discuss these issues with the employees.

Ethics culture assessment should be done periodically to assess how well the company is addressing ethical issues. Companies can have employees fill out an ethical culture survey and discuss results with them. For example, companies can send out a survey

which has a rating of 1 through 5 to assess how well each of the statements given in the survey describes the company. 1 represents strongly disagree and 5 represents strongly agree and everything else in-between. Statements can be like "Unethical behavior will not be tolerated and penalties are strictly enforced." The employees have rate this according to their organization and how well they have enforced ethics.

c) Code of Conduct Workshops:

As we all discussed earlier, code of conduct is different from code of ethics. Code of ethics is small and most times easily understandable by employees. They are simple and straight forward**.** However, code of conduct is complex and may involve a few more trainings to ensure understanding of the employees. Employees may find code of conduct workshops a bit boring as the content is intense. But a workshop facilitator can make those workshops a bit more fun by gamifying them. For example, the facilitator can play "match the following violations with the appropriate jail sentence." This could help increase interest of employees.

Employees may believe that nothing will happen to them if they violate the code of conduct. It is a common presumption of employees that they may go unnoticed. But this is not true and in order to emphasize this, workshop facilitators can design a workshop educating employees about the previously occurred violations and the consequences that happened after that. The U.S Department of Defense maintains a list of ongoing violations and corresponding punishments for ethics training purposes that facilitators can use.

Fraud Theft Exploration: Frauds happen in almost every organization in one form or the other. According to ACFE, [Association of Certified Fraud Examiners](#), about $200 billion a year is spent by means of fraud. Let's quickly refresh our memory on what is theft, fraud and embezzlement. (Definition adopted from Collins)

Theft: Theft is taking someone's property without that person's permission.

Fraud: Fraud is the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets.

Embezzlement: Embezzlement is a particular type of theft and fraud where an employee steals money from the employer.

The above mentioned fraudulent activities can take place in any organization, small, medium, or large. The intensity differs. Larger frauds such as [Bernie Madoff's Case](#) and smaller frauds such as an employee submitting a false receipt, can take place. An antifraud education program can be implemented in every organization to educate the employees about the types of fraud and its consequences. According to Essentials of Corporate Fraud by Tracy L.Coenen, here are some steps that can be implemented in Antifraud Education Program:

Step 1: Discuss common ways that fraud can be committed at a company's place of business

Step 2: Discuss organization areas particularly vulnerable to fraud

Step 3: Explain how fraud is detected- what to look for and what constitutes suspicious behavior

Step 4: Describe how to report fraud- to whom to report the information, anonymous reporting methods

Step 5: What is done with tips and frauds- how tips are evaluated and the follow-up steps

Step 6: Explain how the identity of the person who reported the suspected fraud is protected.

**d)	Four Dimensions of Diversity:**

The dictionary definition of diversity is, "the practice or quality of including or involving people from a range of different social and ethnic backgrounds and of different genders, sexual orientations, etc." In simple terms being diverse means to be composed of different elements or qualities. Diversity plays a major role in any organization. A company that is diverse is noticed as credible these days. We are all different in so many ways and so is an organization. Our experiences, who we are as a person and what actions we naturally take are all examples of being diverse. Companies need to understand the diverse nature of employees working. Prejudgment or presumption can cause damages to the organization. Let's say for example, new employees may be treated as people who need more training on the job. This may be false sometimes are there are many newly hired employees who may be very skilled at the job they are being hired for. What we need to watch here are the incorrect prejudices that may result in offending the employee which could lead to inefficiency of the organization itself.

There are 4 different dimensions of diversity that every organization need to focus on.

1. Permanent Dimension: These are permanent attributes that a person is born with and are hard to change. This dimension includes race, ethnicity, gender, sexual orientation, birth generation, etc.

2. Evolving Dimension: These attributes can change over a period of time. This dimension includes age, height, weight, education, physical ability, geographic location, etc. The image below is adopted from The 4 Layers of Diversity [Gardenswartz & Rowe].

3. Personality Dimension: We all have different types of personalities. Have you ever taken a personality test to check what your personality is? Here's one that you ca take: Myers-Briggs Personality Test According to the Big Five Personality Model, there are 5 different personality aspects. They are: extroversion,

      agreeableness, conscientiousness, emotional stability and openness to

      experience.

4. Organizational Dimension: Employees are categorized based on where they are

     in the organization. This is also based on a certain hierarchy at workspace. This

     dimension includes hierarchical status, work content, department and seniority,

     etc.

Every individual is different and organizations must be understanding of employee's

diverse nature in order to be successful.

e)   Discrimination in workplace:

According to the dictionary, discrimination is, "the unjust or prejudicial treatment of

different categories of people or things, especially on the grounds of race, age, or sex."

Unfortunately workplace discrimination is a common issue across organizations. Let's

take a look at [Equal Employment Opportunity Commission](#) The website has a list of

cases filed under discrimination in different categories from 1997 to 2019. If we take a

closer look, there are certain categories where the cases have gone up significantly

over the years and then there are certain categories where the cases have either come

down or stays similar over the years. Here are the different categories worth taking a

look at:

- Gender Discrimination issues
- Race and Ethnicity Discrimination issues
- Religious Discrimination Issues
- Age Discrimination Issues

- Disability Discrimination Issues

- Sexual Discrimination Issues

- Harassment and Hostile Work Environments

- Retaliation for Discrimination Claim

f)   Diversity Training Workshops:

Just like how organizations conduct workshops for code of ethics and code of conduct, companies should also allocate resources and time to educate and train employees on diversity. There are various exercises that can foster self-awareness. Some of the examples of exercises are to have the employees focus on who they are? Which dominant or subordinate group they belong to. This can create awareness of where they belong. Next, workshop facilitators can conduct an Implicit Attitude Test (IAT). Have you taken an IAT test? Maybe time to just take one and see what we get. [Implicit Attitude Test](#) this test is a 10 minute reaction based test to measure diversity characteristics based on the images that appear on the screen. Doing workshops like these can help boost the company's morale and in turn create a sense of respect between employees and towards the organization.

g)   Experiment Best Practices:

Here are some best practices that we learned from this chapter that we can implement:

- As an employee attend the workshops without fail as it helps you in the long run

- Assess yourself and make sure you know who you are and where you stand

- Be open to thoughts, ideas, suggestions from co-workers

- As an organization or as a manager arrange for all the workshops for employees

- Encourage employees to attend the workshops

- Ensure everyone understands the code of ethics and code of conduct

- Ensure diversity is respected

PART 6 – ETHICS REPORTING SYSTEM

Here are our learning objectives for this chapter:

a)   Examine Ethical Misconduct

b)   Explore Role of Compliance Officers

c)   Discuss Ethics Assist Lines

d)   Examine Whistle Blowers

e)   Experiment Best Practices

a)   Ethical Misconduct

Ethical misconduct is the happening of an unexpected event or a series of events at a workplace which could potentially impact the employees and the in turn the organization itself. Is a perfect world, employees must be trained to let the manager, or supervisor or the organization know that the unethical event happened at workplace as soon as the employee is aware of it. But, sadly, this does not happen everywhere. Employees resort to silence and do not report unethical happenings. The hesitation to report happens because of any reasons. Some of the reasons could be that the employee is scared of losing his/her job because of reporting, fear of losing a promotion, fear of losing a manager-employee cordial relationship, or being labelled as the troublemaker or simply that the employee is ignorant.

According to National Business Ethics Survey of the U.S Workforce, it's reported that at least 41% of the employees have observed minimum 1 major ethical issue during the past year. Here are a few points from the survey:

- 40% of the employees in the U.S. Workforce observed but did not report abusive behavior in organizations.

- 63% of the employees noticed but did not report other employees violating company policies related to internet use.

- 53% of employees observed but did not report issues on discrimination.

- 44% of employees notices but did not report violations on health and safety.

- 62% of employees observe lying to customers, or vendors but did not report them.

- 36% of employees noticed stealing or theft but refused to report them.

- 49% of employees observed sexual harassment but did not report.

- 64% of employees observed other employees and higher level managers accepting gifts from other vendors and bending rules but did not report.

What can organizations do to encourage the employees to come forward and report unethical behaviors? Companies can build an effective internal ethics reporting system where employees can report unethical behavior without the fear of losing job. According to Collins, here are the steps organizations can take in order to have an effective internal ethics reporting system:

- Planning and developing a program and get the approval by the higher authority for implementation

- Ensure that the ethics reporting program is communicated to all the employees so they all know the existence of a new system

- Emphasize the importance of the reporting unethical behavior by conducting workshops for employees

- Let the employees know that it is okay if they do not want to reveal identity. In this case let the employees know that there are other anonymous methods such as drop box which is sealed or locked to protect privacy

- Each case is different and therefore letting everyone know the process for each situation can help

- Once the investigation is over, inform the employees about the outcome so they are informed

- If an employee is not satisfied of the outcome, have a process where he/she can appeal again

b)   Role of Compliance Officers:

According to Investopedia, Compliance officers are, "A compliance officer is an employee of a company that ensures the firm is in compliance with its outside regulatory and legal requirements as well as internal policies and bylaws." In some cases, small to mid-size organizations will have their HR officers to do the compliance as well. But in larger organizations, an Ethics and Compliance Officer (ECO) or a Chief Compliance Officer (CCO) is specially appointed. According to Collins, here are some duties and responsibilities of an ECO:

- Manage internal reporting system

- Assess areas for ethical risks

- Offer guidance to employees when needed

- Ensure if the company follows code of ethics and code of conduct

- Develop ethics policies

- Take charge of the ethics training program

- Collect information about unethical practices or events happening in the company

- Make decisions with regards to complex ethical issues

- Communicate employees of the outcome of an issue

c)   Ethics Assist Lines:

Assist lines are like hotlines where employees can call and report unethical behavior. All fortune 500 companies have assist lines to help report any unethical activities happening. Many organizations reach out to third party for handling the assist lines. An assist line called ethics point was founded in 1999 by a group of certified fraud examiners. Just like how we can lodge a complaint on a hotline, we can report unethical issue via ethics point. If employees want to reveal their names, they can. If not, they can remain anonymous.

The types of inquiries received via an internal reporting services are many and each inquiry is different. Some percentage of the actual inquiries are actual reporting of unethical practices while many are usually problems relating to HR. A survey indicated that the most common complaint is lack of respect. Are all of the complaints legal

violations? Maybe not, but all these issues need to be addressed in order for the organization to be a high-value, high-integrity place.

According to AICPA, here's a checklist for auditing ethics assisting line: (adopted from AICPA)

- Does the assist line have a dedicated hotline number, email, phone number or post office box address to expedite reports of suspected unethical incidents?
- Does the assist line demonstrate confidentiality?
- Does the assist line use independent and trained people to handle these issues?
- Is the assist line available 24 hours a day? 365 days a year?
- Does the assist line have multi-lingual capability to address people speaking various languages?
- Are each complaint or case identified by a unique identification number? This way the employee can call back and get updates of the case outcome using the identification number.
- Are complaints of serious matter involving senior management directly sent to the audit tea without filtering?

Ethics assist lines can be effective and can function successfully if the above mentioned points are taken into consideration.

d)   Whistleblowers:

A whistleblower is a person who reports information of the wrong doing. Think of it as blowing a whistle and alerting everyone. And of course whistleblowing is an act of

reporting done by the whistle blower. According to False Claim Act, whistleblowers should consider the following before filing under False Claim Act:

- A whistleblower must be sure of the incident and must be aware of the actual fraud. It should not just be a suspicion.
- A fraud reported must not be a tax fraud as tax frauds are reported separately.
- Federal or State money must be involved

So then how are tax frauds reported? We all know that all individuals who earn up to a certain level must pay taxes. Business should file income taxes as well. IRS created a whistleblowers office to take care of tax frauds. Here's more information on the Whistleblower Reward Program.

Here are some Whistleblower Protection Laws which are federal laws that protect all employees from retaliation for whistleblowing: (adopted from Collins)

- National Labor Relations Act – 1935 which forbids employers from retaliating against any employee who files a charge with the National Labor relations Board
- Civil Rights Act – 1964 which protects employees who file discrimination charges
- Occupational Safety and health Act – 1970 which prohibits retaliation against any employee who files OSHA complaint
- Whistleblower Protection Act – 1989 which protects any employee who report agency misconduct
- Sarbanes-Oxley Act – 2002 which prohibits retaliation against any employee of a publicly traded company

- Whistleblower Protection Enhancement Act – 2012 which protects federal employees who disclose evidence of waste, fraud or abuse.

We now have these federal laws that can protect whistleblowers. So when can an employee actually blow a whistle? An employee can raise the issue when he/she knows that the consequences of the unethical action can cause serious harm, or when he/she already addressed this with a manager or supervisor but it was not taken seriously, or when he/she has convincing evidence.

This being said, there are negative outcomes for whistleblowers such as:

- Not getting good performance review
- Getting demoted
- Getting job transfers that was unexpected or unwanted
- Even loss of job
- Or fighting legal battle and paying from his/own pocket to fight it.

e)   Experiment Best Practices:

Here are some best practices that we learned from this chapter that we can implement:

- Ensure employees are trained to use Ethics Assist Line
- Conduct various informational workshops to educate various aspects of Ethics Assist Line
- Address questions and concerns of employees on using Ethics Assist Lines
- Educate employees on Whistleblowing
- Ensure employees know the procedure and effects of whistleblowing

- Educate employees on different types of discrimination

- Encourage employees to come forward to report unethical issues

- Educate employees on the different laws that are there to protect them

PART 7 – MANAGERS AS ETHICAL LEADERS AND PERFORMANCE ASSESSMENTS

Here are our learning objectives for this chapter:

a) Examine Managerial Role Modelling

b) Explore Leadership Styles

c) Examine Ethical Employee Performance Appraisals

d) Discuss Ethical Violations

e) Experiment Best Practices

a)   Managerial Role Modelling

In many ways mangers are role models to employees. A lot of employees learn from their managers or supervisors. Therefore, it is imperative that people who are on the top level in the organization display good leadership qualities. Here are certain qualities of leaders that inspire employees which leads to high-quality work and a high-integrity workspace:

- Hardworking

- Conscientious

- Caring

On the other hand if managers do unethical activities, violates trust and display no care at all, there's chance that employees still mirror a few of those qualities. This leads to low morale in workspace, which results in low productivity and even losing credibility of the organization as a whole.

How managers are exercising their power is very important. According to social psychologists John French and Bertram Raven there are 5 types of power:

1. **Legitimate Power:** Power that is formally assigned to individuals. The person exercising this power tends to demand and expect others to compliant and obedient.

2. **Reward Power:** This has to do with the ability of rewarding people. An employee may say yes to a certain task because he/she has been promised bonus or pay increase.

3. **Coercive Power:** This power enforces punishments. The person exercising this power tends to think that he/she can punish another person for noncompliance.

4. **Referent Power:** This power is based on the attractiveness of the person exercising power. For example an employee may say he/she is willing to do an activity given to her because he/she admires the person who exercises power.

5. **Expert Power:** As the name suggests, this power is based on the skills and expertise of the person who is exercising power. For example, an employee can wants to do the work because he/she knows that the person exercising power is very knowledgeable.

b)   Leadership Styles

- Styles that build strong organizational values among employees contribute to shared standards of conduct

- Attributes for leadership: The three main attributes are character, stewardship and experience.

Emotional intelligence:

It is the Ability to manage oneself and one's relationships with others effectively

According to Ferrell and Ferrell, Leadership styles based on emotional intelligence:

1. **Coercive** - demands instantaneous obedience and focuses on achievement initiative, and self-control. This style can be very effective during times of crisis or during a turnaround.

2. **Authoritative** - considered to be one of the most effective styles - inspires employees to follow a vision, facilitates change, and creates a strongly positive performance climate

3. **Affiliative** - This type of leader values people, their emotions, and their needs and relies on friendship and trust to promote flexibility, innovation, and risk taking.

4. **Democratic** - This type of leader relies on participation and teamwork to reach collaborative decisions. This style focuses on communication and create a positive climate for achieving results.

5. **Pace Setting** -This leader can create a negative climate because of the high standards that he or she sets. This style works best for attaining quick results from highly motivated individuals who values achievement and take their initiative.

6. **Coaching** - This leader builds a positive climate by developing skills to foster long-term success, delegating responsibility, and skillfully issuing challenging assignments.

RADAR Model:

Describes an ethical leader's duty to:

- **R** - Recognize ethical issues
- **A** - Avoid misconduct whenever possible
- **D** - Discover ethical risk areas
- **A** - Answer stakeholder concerns when an ethical issue comes to light
- **R** - Recover from a misconduct disaster by improving upon weaknesses in the ethics program

c)   **Ethical Employee Performance Appraisal**

Employees are evaluated periodically to ensure that they are aware of where they stand performance wise and if they have improved since last appraisal. A performance appraisal can be designed in many ways. It can have questions that can be purely beneficial to the employees' self-interest and growth. It can have questions related to the organizational goals and employee contribution. It can also have a mix of both. Sometimes companies prepare a questionnaire only for employee code of ethics performance appraisal. This will have questions on the employee connection and

performance towards the company's code of ethics. This will help organizations understand how well the code of ethics is understood and how well the employee is working towards it.

Some companies have performance appraisal questions based on unethical behaviors only. The disadvantage to this is employees may be embarrassed or may fear answering the questions. According to Collins, Questions may look like: I protect unethical coworkers and do not report it to the organization, or, I take credit for those ideas that are actually those of a coworker. These questions put employee in a fix as they may fear or feel ashamed to answer these questions.

It is important for managers to review the appraisals time to time and inform employees how they have done compared to the previous appraisal. Appreciate and recognize them for their work. Poorly managed and poorly/miscommunicated performance appraisal can be detrimental to the organizational growth, and employee growth. Also, ranking systems work for many companies. However, here's the catch. Say for example, appraisal rankings are rated as excellent, good, average and poor. There's always a person that performs the best and then there's always that person that performs the least in a team. But if the team is performing exceptionally well and all the members have done great, there's still one who has scored excellent and one who has scored poor. But remember the person who scored poor may still be better than many other people working in many other teams. It is just that he couldn't top perform in his exceptionally well performing team. This creates low-morale, self-doubt, anger and negative environment. Therefore performance appraisal must be handled cautiously.

d)   Ethical Violations

The aim of organizations is to reduce or eliminate ethical violations. That is the reason we are learning about so many concepts here. Ethics does not dictate this person should be terminated. Ethics also does not dictate that this person should not be terminated. An employee, if found guilty of unethical practices can be given a second chance to correct any unethical, inappropriate actions that can harm the organization within a certain time period with a warning of termination of the issue is not rectified.

Companies differentiate ethical infractions as major and minor. Major ethical infractions are considered as any behavior punished severely. Some examples are:

- Doing drugs
- Employee theft
- Alcohol violations, etc.

These are issues that are considered extreme and can harm the organization very badly.

Minor infractions are comparatively smaller problems. Some examples are:

- Being late to work
- Watching movies or playing video/ online games during office hours
- Shopping online, taking care of household work during office hours

Though these issues seem small, constant or repetitive violations can bring down the company's productivity resulting in larger consequences. According to Collins, here are the potential consequences for the above mentioned violations in order:

1. Talk to the immediate supervisor, or manager about the issue

2. Give the employee an oral warning

3. Next, comes written warning which can be used a legal evidence

4. Offer to provide training to the employee

5. Try transferring the employee to a different department if that's feasible

6. Order a probation for the employee

7. Fines can be placed on the employee as a consequence

8. Employee can be suspended without pay

9. The last step would be to terminate the employee

e)   Experiment Best Practices:

Here are some best practices that we learned from this chapter that we can implement:

- Ensure employees are trained to use Ethics Assist Line

- Conduct various informational workshops to educate various leadership styles

- Address questions and concerns of employees on performance appraisals

- Educate employees on ethical violations

- Understand the importance of styles of leadership

- Educate employees on different types of leadership

- Encourage employees to come forward to report unethical issues

- Educate employees on the different laws that are there to protect them

PART 8 – ETHICALLY ENGAGING AND EMPOWERING EMPLOYEES

Here are our learning objectives for this chapter:

a) Comprehend the Extent and Benefits of Employee Engagement
b) Examine Unethical Bullies
c) Discuss Measuring Employee Engagement
d) Examine Empowering through Teams
e) Experiment Best Practices

a)   Extent and Benefits of Employee Engagement

Employee engagement is a very important factor in every organization. Organizations become ethically high in value when employees engage. The relationship between employees and organization grows when employees engage in appropriate and responsible way. Employees will also start feeling that work is more meaningful and productive and will start becoming more passionate about it.

Gallup, a global analytics and advice firm, reports that in 2016, only 33% of employees are actually engaged in their work, 51% of employees are not engaged and 16% of employees are actively disengaged. Gallup also reports that the most engaged employees are managers and executives. The least engaging employees are manufacturing workers.

Ethically Engaging Employees:

Human needs and individual behaviors are the key to engaging them. Maslow's

Hierarchy of Needs states that every individual is different and they all are differentiated

into 5 different categories. The image below is adopted from Simply Psychology:

Maslow's Hierarchy of Needs
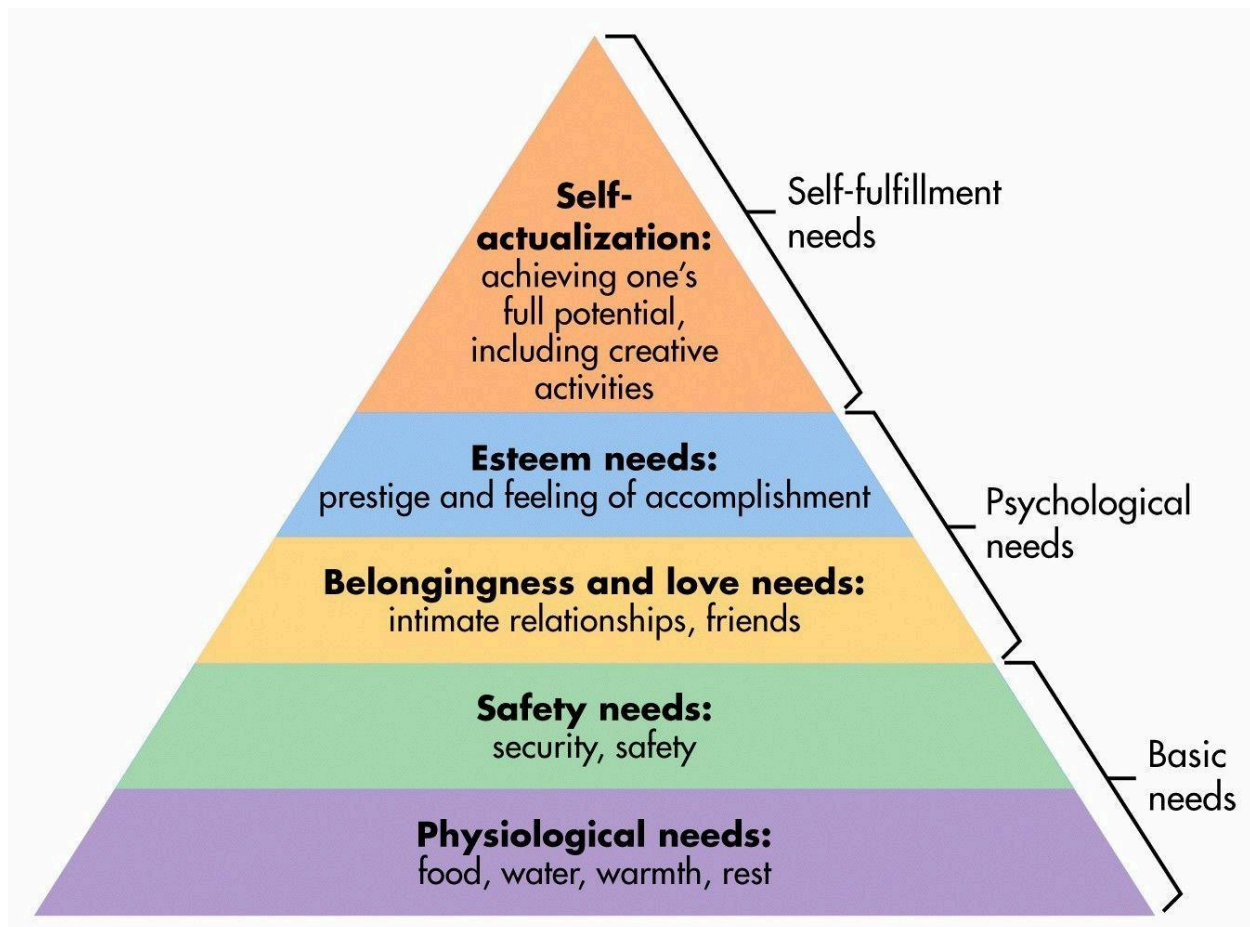
As you can see from the image above, human needs are differentiated into 5 different

categories. Employees can be engaged by the organization if they understand the

various needs of employees and provide them with necessary things. For example,

employees are usually driven if they have timely breaks and if they are compensated

well for their work. For physiological needs, employees are motivated by lunch breaks,

and a decent wage for work.

For safety needs, employees look for a safe working environment, some kind of job security and good retirement benefits. For belongingness and love needs, employees are way more productive if they work in trustworthy, friendly teams. For esteem needs, all employees seek some sort of recognition or acknowledgement for the work done. Having awards ceremonies where employees are awarded and recognized for their work done is a huge factor for more employee engagement. For self-actualization, employees work better in a company where the goals are defined and are achievable but also challenging at the same time. Employees also engage better when the work they do is more meaningful. Therefore, understanding employee needs is very important.

b)   Unethical Bullies

According to dictionary, "Bullying is the act of harming or intimidating someone who is perceived as vulnerable." In simple terms, bullying is repeated verbal abuse, or repetitive threatening in some form or the other. Unfortunately workplace bullying is something that's common and is found in many organizations. Employees are being threatened or abused in some way or the other.

According to [Workplace Bullying Institute](#), in a survey conducted over 1000 employees, more than 29% have been bullied and over 25% have witnessed some form of bullying at workplace. Let's do a quick mind math and extrapolate this information for the entire labor force in the United States of America. That's about 140 million employees. Does this feel right? Absolutely not right?

According to [National Abuse Center](#), here are a few forms of bullying:

- Physical Bullying: This type of bullying includes hitting, kicking, tripping, pinching, and pushing or damaging property.

- Verbal Bullying: This type of bullying includes calling mean things, calling names, racist remarks, etc.

- Social Bullying: This type of bullying could be done behind someone's back. This type of bullying could spoil someone's reputation. Some examples are sharing rumors, saying nasty jokes, encouraging other people to cut off a particular person, etc.

- Cyber Bullying: This type of bullying happens through phones, computers, and other electronic devices. This type includes abusive texts, emails or phone calls, using another person's identity and/or faking an account. Also repetitively harming someone via words or messages through online chat options.

Any type of bullying is harmful to the employees and the organization. Studies show that employees waste a lot of time in worrying about bullying, performance of employees declined as a result. Employees can also show excessive absences to escape from the bullying atmosphere. All these affects the organization and employees.

c)   **Measuring Employee Engagement:**

Employee engagement is absolutely important for growth of both employee and the organization. But, how do we measure employee engagement? In a survey conducted by Gallup, employees mentioned that pay is important but not as important as having a motivating manager. So you can now see how important it is to have managers who are motivating and caring of their employees. A good manager seeks to understand employees, provides to their needs, and understands what capability each employee

has and assigns work based on it. Managers can send out a survey sheet to the employees asking them to fill it out. This sheet could have statements such as "I have periodically reviewed my work with my immediate supervisor" or "During the past year I had the opportunity to earn and grow." Employees can be asked to rate themselves on the above mentioned types of statements on a scale of 1 through 5 where 1 is strongly disagree and 5 is strongly agree. Once the employee is done, he/she needs to add the scores to measure how much he/she is engaged. This information is very helpful to the organization as it helps understand how the company can help its employees.

d)   Empowering Through Teams:

Working in teams is an essential part in today's business world. Whether we work in a small scale business or whether we run a large firm, team work is an absolute must. Every team in an organization is a small community. A team needs to be engaged in order to get the best results. A disengaging team will have many negatives and side effects and will directly lead to the downfall of the organization.

Conflicts are common in any team. When individuals of different personalities join together to form a team, it is natural for them to get into conflicts. The better the team manages the conflict, the better the team works. In case of a conflict, [Pinch Theory](#) can be used to manage the situation. Here are the steps that can resolve conflicts and help teams make better decisions:

Steps involved in Conflict Clarification

- Step 1: Team member (first party) calling "Pinch" where a team member calls in statement such as a team member not liking the fact that another team member always submits work for review after due date

- Step 2: A second party repeats the information so everyone is clear on what is called in

- Step 3: This step is to confirm whether the issue that's been called in clear and right. The first and the second party confirms.

- Step 4: The second party gives explanation to the issue. So in my above mentioned example, where a team member always submits work for review after due date, the first party claims that he/she had to work extra hours to review as the document was submitted late. The second party explain his/her stance her and an example may be expressing his/her unintentional late submission due to a tight schedule.

- Step 5: The first party acknowledges the reason claimed by the second party for late submission.

- Step 6: The second party confirms the same reason.

Steps involved in Conflict solution:

- Step 7: First party proposes a solution. For example he/she can propose an earlier time for submission such as submission at 6 PM instead of 8 PM.

- Step 8: Second party also proposes another time. Instead of agreeing for 8 PM he/she suggests 7 PM.

- Step 9: The first and the second party continue to propose solutions until a common ground is met. If they agree on a time then they lock it in.

- Step 10: Now that both the parties have agreed, they can now document the changes and sign so that serves as a proof of agreement. Conditions such as what happens if even after this the second party submits work late can be added to this agreement so both parties are aware of the guidelines and the consequences if agreed guidelines are not followed.

By following the above mentioned steps, conflicts can be resolved within teams which will in turn help teams to be engaging and productive.

e)   Experiment Best Practices:

Here are some best practices that we learned from this chapter that we can implement:

- Ensure employees are trained to resolve conflicts using appropriate conflict solving methods

- Conduct various informational workshops to educate employees on bullying

- Address questions and concerns of employees on bullying and its effects

- Educate employees on the different laws that are there to protect them

- Educate employees on ethical violations

- Understand the importance of styles of conflict management

- Understand employees and their needs

- Help employees understand the power of engagement

PART 9 – ETHICS AND ENVIRONMENT

Here are our learning objectives for this chapter:

a) Examine Environment Changes

b)   Discuss Global Warming Issues

c)   Laws Protecting the Environment

d)   Explore Green Organization

e) Experiment Best Practices

a) Environment Changes:

Our Earth has been changing rapidly. A lot of environmental issues crop up every single day to due mishandling of natural resources. Global warming is increasing every day. And, our population is also increasing as we speak! According to Worldometer as of December 2020 our current world population is about 7.8 billion. Let's address a few key topics here:

Sustainability

According to Ferrell and Ferrell, Sustainability is

- Assessment and improvement of business strategies, economic sectors, work practices, technologies, and lifestyles while maintaining the natural environment.
- Sustainable development has emerged as a major concern.

- Sustainable development is meeting the needs of the present without compromising the ability of future generations to meet their own needs.

What is the Relationship between Sustainability, Ethical Decision Making, and Social Responsibility?

- Corporate culture that includes a sustainability agenda or a corporate social responsibility (CSR) report creates favorable stakeholder responses
- CSR increases employees' company identification and commitment
- Firms use sustainable business practices to demonstrate their social commitment through activities such as recycling and using alternative energy sources

Let's take a look at the world's most sustainable companies – According to CareerAddict.com, Here are the top 10 sustainable companies in 2020:

1. Orsted, Wholesale power, Denmark

2. Chr. Hansen, Food and other Chemical Agents, Denmark

3. Neste Oyj, Petroleum Refineries, Finland

4. Cisco Systems, Communications Equipment, United States

5. Autodesk, Software, United States

6. Novozymes, Specialty and Performance Chemicals, Denmark

7. ING Group, Financial Services, Netherlands

8. Enel, Wholesale Power, Italy

9. Banco do Brasil, Financial Services, Brazil

10. Algonquin Power and Utilities Corp, Electric Utilities, Canada

Ethical Decisions Affect Sustainability as a Component of Social Responsibility:

- Sustainability, Social responsibility, and Ethics should not be used interchangeably.

- An organization cannot ignore basic principles, values, and legions to society.

- Sustainability is only one aspect of decision making.

For example, Walmart - This company made a name for itself in the sustainability aspect, by developing more environment friendly supply chain practices and investments in green alternatives. They have also made efforts to sell more organic food. However, the company used bribery to conduct business in Mexico. This demonstrates that although it has made strides in sustainability, there has been flaws in other areas of decision making.

Here is a article of [Walmart on the Bribery Scandal in Mexico](#)

More than $24 million was involved in allegations of Walmart's Mexico bribery, according to New York Times investigation. Judy Woodruff and Indiana University's Joseph Hoffman discuss Walmart's internal inquiry into whether employees violated federal law and the parameters of the Foreign Corrupt Practices law. What are your thoughts on this?

b) What attempt has been made to address Global Warming Issues?

Kyoto Protocol

- Created in 1997

- International Treaty meant to curb global greenhouse gas emissions by having countries voluntarily reduce national outputs

- United States did not ratify the treaty and therefore is not bound to it

- Since 1997, Kyoto Protocol has been highly unpopular among polluting multinational corporations

Water

- In developing countries as much as 80% of illnesses are linked to poor water and sanitation conditions.

- Agriculture is the biggest water user and accounts for 70 percent of global water withdrawals.

- Every day, 2 million tons of untreated sewage, industrial and agricultural waste are put into some water source.

- Nearly one out of five deaths of children under the age of 5 is due to water-related disease.

- About 60% of the world's 227 biggest rivers have interrupted stream flows because of dams and other infrastructure.

- More than half the world's primary schools do not have access to water or sanitation facilities.

- Nitrate is the most common chemical contaminant in groundwater aquifers, and nitrate levels have risen 36% in global waterways since 1990.

- For every $1 invested in clean water, there is an economic return of between $3 and $34.

Land Pollution

- Dumping of residential & industrial wastes, strip mining, and poor forest conservation.
- Causes health problems in human beings, jeopardizes wildlife habitats, causes erosion, alters watercourse, poison groundwater supplies.

Waste Management

- United States has up to 40000 abandoned landfills that are often left untreated and are filled with plastics and other materials that can take 1000 years to degrade.
- UAE, Bangladesh and a few other countries have banned plastic grocery bags completely.
- Electronic waster is a huge problem since it can release harmful toxins into air and water.

Environmental Protection Agency (EPA)

- Created to coordinate environmental agencies involved in:
- Conducting environmental research
- Providing assistance in fighting pollution
- Enforcing the nation's environmental laws

Biodiversity and It's Importance

Biodiversity in simple terms means nature's balance. There's abundance of variety of life on earth and the connection between all species is important and that is the reason our earth functions. This complex interconnection should not be messed for smooth function of our ecosystem. But unfortunately this happens all the time. Read up more on [Biodiversity and its importance](#) here.

Atmospheric Pollution

Air Pollution

Arises from 3 different sources:

- Stationary Sources such as factories and power plants
- Mobile Sources such as cars, trucks and planes, and trains
- Natural Sources such as windblown dust and volcanic eruptions

These sources discharge gases, as well as particulates, that can be carried long distances by surface winds or linger stagnation occurs.

What problems can arise out of air pollution?

- Shorter life spans in living organisms including animals and human beings.
- Chronic respiratory problems.
- Birth Defects, brain cancer, nerve damages, etc.

Acid Rain

In addition to health risks posed by air pollution, when nitrous oxide and sulfur dioxides are emitted from manufacturing facilities, the compounds are exposed to air and rain and form new compounds, resulting in Acid Rain.

Effects

- Death of valuable lakes and forests
- Corrodes paint
- Deteriorates stone

Did initiatives to clean up the effects of acid rain work?

Acid Rain Legislation in United States appears effective. Research shows that sulfates in rain in the northeastern United States have decreased by 40%.

Genetically Modified Organisms

- Are created through manipulating plant and animal DNA to produce derides effect like resistance to pests and viruses, drought resistance, or high crop yield.
- This process involves transferring genes from one organism to another in a way that would never occur naturally.
- This creates new life forms and unique life traits.

Despite controversy, interest in GM products remains high. For example, in countries where malnutrition is a common issues, higher yield is appealing and GMO is

supported. It is illegal to grow GM crops in Thailand. The problem with genetic engineering of animals or animal products is that the long-run effects are unknown.

According to U.S. Food and Administration**, Here is a list of** GMO foods that are grown and sold in the U.S.

- Sugar Beet
- Canola
- Corn
- Potato
- Summer Squash
- Cotton
- Soybean
- Alfalfa
- Apple
- Papaya

c) Laws Protecting the Environment:

A significant number of laws have been formulated to address both general and specific environmental issues, including public health, threatened species, and toxic substance, clean air and water, and natural resources.

- Clean Air Act – 1970
- National Environmental Policy Act – 1970
- Coastal Zone Management Act – 1972

- Federal Water Pollution Control Act – 1972

- Endangered Species Act – 1973

- Noise Pollution Control Act – 1972

- Federal Insecticide, Fungicide and Rodenticide Act – 1972

- Safe Drinking Water Act – 1974

- Toxic Substances Control Act - 1976

- Resource Conservation and Recovery Act - 1976

- Comprehensive Environmental Response, Compensations, and Liability Act - 1980

- Emergency Planning and Community Right-to-Know Act - 1986

- Oil Pollution Act - 1990

- Pollution Prevention Act - 1990

- Food Quality Protection Act - 1996

- Emergency policy Act - 2005

- Energy Independence and Security Act - 2007

Alternative Energy Resources

Wind Power

Wind power holds great promise for the United States and has already taken off in many countries. It is one-fifth of Denmark's electricity needs are supplied by wind farms.

Geothermal Power

Has significant advantages and Disadvantages

Advantages

- Provides a constant source of heat

- More dependable energy source than some other alternatives

- Emit fewer carbon emissions than cola powered plants

Disadvantages

- It is expensive

- Drilling sites are not readily available everywhere

Solar Power

- 100% renewable energy

- Can be converted into electricity through solar cells on homes or solar power plants.

- Disadvantage - it is expensive and inefficient compared to traditional fossil fuels.

- Solar Power has gained a lot of support in the United States.

- Dell, Whole Foods, Intel, Johnson & Johnson, Kohl's are some companies that use solar power at some of their locations.

Nuclear Power

- This form of power remains controversial because of the danger associated with nuclear meltdowns and radioactive waste disposal.

- Advantages - it is pollution free & cost competitive. Uranium is abundant enough.

- Disadvantages- Concern for safety of nuclear power plants and disposal of waste.

The Chernobyl nuclear disaster in Ukraine, resulted in deaths, sicknesses and birth defects made this a viable concern. Take a deeper look at the [Chernobyl Nuclear Disaster](#)

Biofuels

The most controversial form of alternative energy after nuclear power is ethanol.

- Critics argue manufacturing ethanol takes a lot of energy and is not much more sustainable than oil.
- Ethanol has taken off in counties like Brazil, leading to legal mandates to incorporate bio fuels as a substitute for fossil fuels. Brazil is currently the largest exporter of Bio ethanol.
- To avoid problems and take advantage of benefits of ethanol, scientists are researching alternative sources for this fuel. Algae and non edible plants such as grasses are currently being explored.

Hydro power

In the United States, hydroelectric power produces only 7% of total output, hydroelectric provides 19% of total electricity production worldwide. This makes it the largest from of renewable energy.

The Three Gorges Dam in China resulted in reducing greenhouse gases for the country.

Downside of Hydro power

- Destruction of wildlife and human habitat when valleys are flooded using dams.

- Also disrupts the life cycles of aquatic life.

Advantages of Hydro power

- Decreases greenhouse gas emissions and air pollution.

Business Response to Sustainability Issues

Triple-bottom line approach

- Considers social and environmental performance along with economic performance
- Better environmental performance reduces costs by:
- Improving risk management and stakeholder relationships
- Reducing the amount of materials and energy used
- Reducing capital and labor costs

d)   Green marketing

Using stakeholder assessment to create long-term relationships with customers while maintaining, supporting, and enhancing the natural environment. UPS made it a goal to increase the sustainability of business practices. Take a deeper look into this article [Sustainability at USPS.](#)

Green washing

It is Misleading a consumer into thinking that a good or service is more environmentally friendly than it really is It negatively relates to financial performance. Here is a link to the top 10 green washing companies in America:

[Top 10 Green Washing Companies in America](#)

e)   Experiment Best Practices:

Here are some best practices that we learned from this chapter that we can implement:

- Ensure employees know about environmental issues via training and workshops
- Address questions and concerns of employees on environmental damages
- Educate employees on the different laws that are there to protect environment
- Educate employees on ethical violations and how environmental damages can be minimized
- Understand the importance of learning about global warming

PART 10 – COMMUNITY OUTREACH AND RESPECT

Here are our learning objectives for this chapter:

a) Involvement of Businesses in Communities

b) Practice of giving to the Community and Corporate Philanthropy

c) Corporate Citizenship

d) Experiment Best Practices

a) Involvement of Business in Communities:

A lot of businesses are now getting more involved in community outreach and activities. There are many benefits to the company because of these community outreach activities. According to Collins, some of them are:

- Reputation benefit: where a company can earn a lot of reputation and good will among the community by doing community outreach activities. Once the community people start realizing that this company is giving to the community, the company automatically starts gaining trust from people. This is a big plus.

- Employee relation benefit: Community outreach attracts and retains employees. Employees work more happily and trust is generated. This is a huge benefit for the organization as productivity increases with happy employees.

- Customer relations benefit: Community outreach activities increase popularity if the company. Therefore there's more chances of forming new customer relationships and strengthening existing customer relationships. This also enhances customer loyalty.

- Community relations benefit: As we discussed earlier, community gets benefited out of company outreach activities. This results in harmonious community – company relationship and as a bonus company earns their goodwill and trust.

- Investor relations benefit: The more the company earns goodwill and trust the better investors trust in investing in the company. This attracts investment funds and of course the company receives preference when it comes to banks because local banks trust them on loans.

b) **Corporate Citizenship:**

In simple terms, Corporate Citizenship I defined as a company's responsibility towards the society. There are 5 stages to the development of Corporate Citizenship:

- Elementary stage where the company is still planning to create awareness and the higher level management is still not involved. It is at the basic stage.

- Engagement Stage where the policies are developing and being promoted in the company. A lot of meetings between shareholders and the management are held to promote citizenship activities.

- Integrated Stage where outreach activities are incorporated in the company's laws and these activities ae monitored in the community.

- The transforming stage where the company's social involvement becomes a regular part of the company's operations.

c) **Corporate Philanthropy:**

Corporate Social Responsibility:

At most basic level, companies have a responsibility to be profitable at an acceptable level to meet the objectives of shareholders and create values. The next level - all companies are expected to obey all relevant laws and regulations. The next step is Ethical level - where principles and values meet expectations of stakeholders. But above all, the last and the most important level - The Philanthropic Level.

This philanthropic approach is being adapted by many companies. Philanthropic responsibilities refers to activities that are not required of business but that contribute to human welfare, good will and serving communities. For example: Ben & Jerry's Ice

cream: This company gives 7.5% of its pretax profits to different charitable institutions. Here is a short video about Ben and Jerry's and their mission to the society.

Let's take a deeper look into Corporate Philanthropy approach by Ben and Jerry's.

Starbucks is also making strides in Corporate Social responsibility. Take a deeper look at Starbucks Social Impact. With over 28000 stores in 75 countries, Starbucks is creating a positive change.

The picture below is adopted from Ferrell and Ferrell and more information can be found here: Pyramid of corporate Social Responsibility.

According to Worldsmostethicalcompanies.com, here's the list of the world's most ethical companies in 2020:

- 3M – Industrial Manufacturing, United States

- AARP – Non-profit Business Services, United States

- Accenture – Consulting Services, Ireland

- ADM – Food, Beverage and Agriculture, United States

- Aflac – Accident and Life Insurance, United States

- Allianz – Life Insurance, United States

- Allstate – Property and Casualty Insurance, United States

- APTIV – Automotive, United Kingdom

- ARM – Electronic and Semiconductors, United Kingdom

- AT & T – Telecom, United States

- Avangrid – Energy and Utilities, United States

- Avista - Energy and Utilities, United States

- Avnet – Electronic companies. United States

- Baptist Health South Florida – Healthcare Providers, United States

- Best Buy – Retail, United States

- Blue California – Health Insurance, United States

- BMO – Banking, Canada

- Booz I Allen I Hamilton – Consulting Services, United States

- Cambia – Health Insurance, United States

- Canon – Imaging Technology, United States

- Capgemini – Consulting Services, France

- Capital Power – Energy and Utilities, Canada

- Carefirst – Health Insurance – United States

- And more. Check the list in the above mentioned website.

d) Experiment Best Practices:

Here are some best practices that we learned from this chapter that we can implement:

- Ensure employees know about corporate social responsibility as they play a
  huge role in supporting the company policies

- Address questions and concerns of employees on corporate philanthropy

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