Test Bank for Business & Society 9th Ferrell

Business & Society (9th)

ISBN 9781071925133 | Chapter 1: –

Total Questions: 50

Easy

Multiple Choice (1)

Q1. *[Multiple Choice]*

What is one of the key roles of business corporations according to your reading?

- **a)** To provide entertainment
- **b)** To promote cultural heritage
- **c) To drive economic growth ✓ correct**
- **d)** To support political campaigns

True/False (10)

Q2. *[True/False]*

Companies demonstrate varying degrees of social responsibility at different points in time.

- **a) True ✓ correct**
- **b)** False

Correct answer: True

Q3. *[True/False]*

Environmental, social, and governance (ESG) is a legally mandated reporting mechanism established by the Environmental Protection Agency (EPA) to which all publicly-traded companies must adhere.

- **a)** True
- **b) False ✓ correct**

Correct answer: False

Q4. *[True/False]*

Firms that focus only on shareholders and the bottom line operate from a legal or compliance perspective.

- **a) True ✓ correct**
- **b)** False

Correct answer: True

Q5. *[True/False]*

In the United States, the term philanthropy is used more often to refer to the environmental impact on stakeholders.

- **a)** True
- **b) False ✓ correct**

Correct answer: False

Q6. *[True/False]*

Social responsibility is an important business concept and involves significant planning and implementation.

- **a) True ✓ correct**
- **b)** False

Correct answer: True

Q7. *[True/False]*

Strategic social responsibility is realized when a company has eliminated expectations, desires, and constituencies from its strategic direction and planning processes.

- **a)** True
- **b) False ✓ correct**

Correct answer: False

Q8. *[True/False]*

The 1980s and 1990s brought a new focus on profitability and economies of scale.

- **a) True ✓ correct**
- **b)** False

Correct answer: True

Q9. *[True/False]*

The books frameworks stresses the importance of working with stakeholders to achieve social responsibility objectives.

- **a) True ✓ correct**
- **b)** False

Correct answer: True

Q10. *[True/False]*

The financial crisis and the collapse of many well-known institutions in the early 2000s (known as the Great Recession) led to renewed interest in ethics and social responsibility.

- **a) True ✓ correct**
- **b)** False

Correct answer: True

Q11. *[True/False]*

Trust holds organizations together and allows them to focus on efficiency, productivity, and profits.

- **a) True ✓ correct**
- **b)** False

Correct answer: True

Medium

Multiple Choice (38)

Q12. *[Multiple Choice]*

A code of ethics refers to:

- **a)** a set of organizations that are associated through shared or mutual affiliations and interests.
- **b)** the principles and standards that guide behavior in the world of business.
- **c) a written collection of the rules, principles, values, and expectations of employee behavior. ✓ correct**
- **d)** efforts made by a company to improve human welfare and goodwill.

Q13. *[Multiple Choice]*

A company with a strong _______________ orientation often becomes quite proactive in managing and changing conditions that yield economic benefits, including avoiding litigation and increased regulation.

a) social responsibility ✓ correct
b) shareholder
c) product
d) profit

Q14. *[Multiple Choice]*

According to Harvard economist Edward Mason, what is the most important economic institution?

a) government agencies
b) business corporations ✓ correct
c) non-profit organizations
d) educational institutions

Q15. *[Multiple Choice]*

According to famous economist Milton Friedman, what is the purpose of business?

a) to satisfy investors or shareholders ✓ correct
b) to promote social cause
c) to provide the best products to customers
d) to improve global cooperation

Q16. *[Multiple Choice]*

According to your reading, what is one of the top issues that business leaders agree their company has a responsibility to act on?

a) market expansion
b) data security and privacy ✓ correct
c) profit maximization
d) brand recognition

Q17. *[Multiple Choice]*

Business ethics includes the _______________ that guide individual and group behavior in the world of business.

a) principles, values, and norms ✓ correct
b) laws and regulations
c) standard operating procedures
d) philanthropic activites

Q18. *[Multiple Choice]*

Business ethics refers to:

a) regulations and laws that guide companies in their business decisions.
b) companies refraining from forming monopolies or restricting competition in any way.
c) the principles, values, and norms that guide individual and group behavior in the world of business. ✓ correct
d) unique industry and professional factors that influence employees.

Q19. *[Multiple Choice]*

During which stage of social responsibility requirements do companies contribute to their communities and society and improve the quality of life?

a) ethics, principles, and values ✓ correct
b) financial viability
c) philanthropic activities
d) compliance with legal and regulatory requirements

Q20. *[Multiple Choice]*

Employee commitment stems from:

a) employees who are empowered with training and autonomy. ✓ correct
b) paying the best wages in the industry.
c) working in a team-based organization.
d) offering child care to working mothers and fathers.

Q21. *[Multiple Choice]*

Flatter organizations brought about due to the economic instability of the 1980s and early 1990s meant workforce reduction but also entailed _______________.

a) increasing empowerment of lower-level employees ✓ correct
b) more opportunities for outstanding employees to move into management
c) additional pay for employees
d) more employment by large companies

Q22. *[Multiple Choice]*

How did the COVID-19 pandemic affect employee commitment?

a) there was no change in employee commitment
b) the pandemic fueled an exodus from the workforce ✓ correct
c) employee commitment skyrocketed to a record high
d) employee retention rates increased and turnover decreased

Q23. *[Multiple Choice]*

Many studies have identified a positive relationship between social responsibility and _______________.

a) financial performance ✓ correct
b) government penalties
c) better supplier agreements
d) talented employees

Q24. *[Multiple Choice]*

Norms are defined as which of the following:

a) standards of behavioral expectations within an organization that guide, control, and regulate ethical conduct ✓ correct
b) enduring beliefs and ideals that are socially enforced
c) when companies go above and beyond their ethical responsibilities
d) specific and universal boundaries for behavior that should not be violated

Q25. *[Multiple Choice]*

Organizations must show that they have exceeded their _______________ before they can address their ethical purposes and standards.

a) legal responsibilities ✓ correct
b) stakeholder expectations
c) consumer protection
d) social responsibilities

Q26. *[Multiple Choice]*
Principles are defined as which of the following:

a) standards that guide behavior in the world of business
b) specific and universal boundaries for behavior that should not be violated ✓ correct
c) laws and regulations that require companies conduct themselves according to society's expectations
d) when companies go above and beyond their ethical responsibilities

Q27. *[Multiple Choice]*
Shortly after World War II, corporate managers:

a) were closely scrutinized by their boards of directors.
b) had little decision-making authority over daily matters.
c) were hired away from other firms on a regular basis.
d) were marked by the virtually unlimited autonomy afforded to their top managers. ✓ correct

Q28. *[Multiple Choice]*
Society enforces its expectations regarding the behavior of businesses through _______________.

a) boycotts and demonstrations
b) the media
c) the legal system ✓ correct
d) self-regulation

Q29. *[Multiple Choice]*
Strategic _______________ is realized when a company has integrated a range of expectations, desires, and constituencies into its strategic direction and planning processes.

a) control
b) philanthropy
c) sustainability
d) social responsibility ✓ correct

Q30. *[Multiple Choice]*
Superior financial performance at the firm level within a society is measured as:

a) profits, earnings per share, return on investment, and capital appreciation ✓ correct
b) high standards of living
c) whether the institutions within the society are generally trustworthy
d) productivity, gross sales, and number of employees

Q31. *[Multiple Choice]*
The ESG framework allows firms to evaluate their priorities in the areas of _______________ relative to their industry, investor priorities, peer comparisons, and the cultural and leadership priorities of the organization.

a) environmental, social, and green marketing
b) ethics, society, and governance
c) environmental, social, and governance ✓ correct
d) energy use, social responsibility, and governance

Q32. *[Multiple Choice]*
The benefits of social responsibility include which of the following?

a) high levels of observed misconduct
b) increased efficiency in daily operations ✓ correct
c) lower employee commitment
d) low ESG ratings

Q33. [Multiple Choice]

The most basic principles have been codified into _______________ to require that companies conduct themselves in ways that conform to society's expectations.

- **a) laws and regulations ✓ correct**
- **b)** ethical values
- **c)** economic principles
- **d)** environmental regulations

Q34. [Multiple Choice]

Those who have a claim on some aspect of a company's products, industry, markets, and outcomes are referred to as:

- **a) stakeholders ✓ correct**
- **b)** shareholders
- **c)** customers
- **d)** management

Q35. [Multiple Choice]

What are enduring beliefs and ideals that are socially enforced?

- **a)** social responsibility
- **b) values ✓ correct**
- **c)** norms
- **d)** principles

Q36. [Multiple Choice]

What does the E in ESG stand for?

- **a)** Exports
- **b)** Energy
- **c)** Ethics
- **d) Environmental ✓ correct**

Q37. [Multiple Choice]

What is Stage 1 of social responsibility requirements?

- **a)** philanthropic activities
- **b) financial viability ✓ correct**
- **c)** ethics, principles, and values
- **d)** compliance with legal and regulatory requirements

Q38. [Multiple Choice]

What is a common criticism of global business according to your reading?

- **a)** It promotes cultural diversity.
- **b)** It reduces income inequality.
- **c) It involves the exploitation of the working poor. ✓ correct**
- **d)** It decreases environmental protection efforts.

Q39. [Multiple Choice]

What is the glue that holds organizations together and allows them to focus on efficiency, productivity, and profits?

- **a)** competence
- **b)** diversity
- **c) trust ✓ correct**
- **d)** respect

Q40. *[Multiple Choice]*
What was a significant factor that allowed manufacturing and retail institutions to a. profits

- **a) The development of rail systems and new technology ✓ correct**
- **b)** The invention of the internet
- **c)** The establishment of large urban centers
- **d)** The introduction of corporate charters

Q41. *[Multiple Choice]*
Which of the following created formalized safeguards for unsuspecting consumers?

- **a)** corporate culture
- **b)** legal responsibility
- **c)** corporate governance
- **d) consumer protection laws ✓ correct**

Q42. *[Multiple Choice]*
Which of the following describes a vision statement?

- **a)** a company's core purpose
- **b) a company's long-term aspirations ✓ correct**
- **c)** the reason a company exists
- **d)** actions a company takes to make decisions

Q43. *[Multiple Choice]*
Which of the following is most closely related to developing long-term relationships with customers?

- **a)** transparency
- **b) customer loyalty ✓ correct**
- **c)** employee commitment
- **d)** shareholder support

Q44. *[Multiple Choice]*
Which of the following is one of the four types of corporate social responsibility?

- **a)** global
- **b)** technological
- **c)** competitive
- **d) philanthropic ✓ correct**

Q45. *[Multiple Choice]*
Which organization is mentioned as having developed meaningful projects in sustainable development, clean technologies, workplace safety, and the health of the marine environment?

- **a)** The United Nations
- **b)** The European Union
- **c) The Asia-Pacific Economic Cooperation (APEC) ✓ correct**
- **d)** The World Trade Organization

Q46. *[Multiple Choice]*
Which organization releases the "World's Most Ethical Companies" list?

- **a) The Ethisphere Institute ✓ correct**
- **b)** The World Economic Forum
- **c)** The United Nations
- **d)** The International Business Ethics Institute

Q47. [Multiple Choice]

_______________ include strategic business alliances, supply chains, human and health services consortia, public-private partnerships, and others.

- **a) Interorganizational networks ✓ correct**
- **b)** Artificial intelligence
- **c)** Strategic partnerships
- **d)** Employees

Q48. [Multiple Choice]

_______________ is grounded in effective and mutually beneficial relationships with customers, employees, investors, competitors, government, the community, and others who have a stake in the company.

- **a)** Employee relations
- **b)** Regulation
- **c) Social responsibility ✓ correct**
- **d)** Corporate governance

Q49. [Multiple Choice]

_________________ are shared values, attitudes, and beliefs that characterize members of an organization.

- **a)** profits
- **b)** controls
- **c)** regulatory requirements
- **d) corporate culture ✓ correct**

Hard

Multiple Choice (1)

Q50. [Multiple Choice]

Which of the following is a theory stating that the value of a resource is viewed relative to its potential to create competitive differentiation or customer value?

- **a) resource-advantage theory ✓ correct**
- **b)** value advantage theory
- **c)** stakeholder advantage theory
- **d)** competitive advantage theory

CHAPTER 1

Social Responsibility Framework

PURPOSE AND PERSPECTIVE

Businesses today must cope with challenging decisions related to their interface with society. Consumers and other stakeholders are increasingly emphasizing the importance of companies' reputations, which are often based on ethics and social responsibility. In this chapter, we examine the concept of social responsibility and how it relates to today's complex business environment. First, we define social responsibility. Next, we consider the development of social responsibility, its benefits to organizations, and the changing nature of expectations in our increasingly global economy. Finally, we introduce the framework for studying social responsibility used by this text, which includes such elements as strategic management for stakeholder relations; legal, regulatory, and political issues; business ethics; corporate governance; consumer relations; employee relations; philanthropy and community relations; technology issues; sustainability issues; and global relations.

LEARNING OBJECTIVES

- 1.1: Explain the concept of social responsibility
- 1.2: Summarize the development of social responsibility
- 1.3: Examine the global nature of social responsibility
- 1.4: Discuss the benefits of social responsibility
- 1.5: Construct a framework for understanding social responsibility

KEY TERMS AND DEFINITIONS

business ethics	the principles, values, and norms that guide individual and group behavior in the world of business
code of ethics	a written collection of the rules, principles, values, and expectations of employee behavior
consumer protection laws	regulations enacted to protect vulnerable members of society with formal safeguards for consumers
core competencies	unique advantages that differentiate a firm from its competitors
corporate culture	shared values, attitudes, and beliefs that characterize members of an organization
corporate governance	a company's formal system of accountability, oversight, and control

employee well-being	the health and wellness of employees, including how workers feel about their work and their working environment
environmental, social, and governance (ESG)	a framework for evaluating firm performance in the areas of environmental, social, and governance
interorganizational networks	a set of organizations that are associated through shared or mutual affiliations and interests
legal responsibility	the most basic expectation that a company must comply with the law
license to operate	permission to conduct a business activity, subject to regulation by the licensing authority
mission statement	defines the company's core purpose and its reason for existence
norms	standards of behavioral expectations that guide, control, and regulate ethical conduct
philanthropic activities	efforts made by a company to improve human welfare and goodwill
philanthropy	the desire to improve the welfare of others through donations of money, resources, or effort
principles	specific and universal boundaries for behavior that should never be violated
resource-advantage theory	a theory of competition that emphasizes a firm's tangible and intangible resources as key drivers of sustained competitive advantage
social institutions	the systems, principles, norms, and values within a society that help establish stable patterns of human activity and relationships, including family, health, education, military, and the economy
social issues	challenges or problems that affect individuals, communities, and society as a whole

social responsibility	a strategic focus for fulfilling economic, legal, ethical, and philanthropic responsibilities, can also be referred to as corporate social responsibility (CSR) when adopted by a business
stakeholder orientation	a business approach where a company considers the interests and concerns of all parties affected by the success or failure of an organization
stakeholders	constituents who have an interest or stake in a company's products, industry, markets, and outcomes
sustainable business practices	a company's economic, environmental, and social impact
values	enduring beliefs and ideals that are socially enforced
vision statement	describes a company's long-term aspirations

LECTURE OUTLINE

1) Introduction
   a) Businesses today must cope with challenging decisions related to their interface with society.
   b) Consumers and other stakeholders are increasingly emphasizing the importance of companies' reputations, which are often based on ethics and social responsibility.
2) Social Responsibility Defined
   a) We define **social responsibility** as a strategic focus for fulfilling economic, legal, ethical, and philanthropic responsibilities.
      i) Social responsibility can also be referred to as corporate social responsibility (CSR) when adopted by a business.
   b) In most societies, businesses are granted a **license to operate** which is permission to conduct a business activity, subject to regulation by the licensing authority.
   c) Businesses are expected to:
      i) provide quality goods and services
      ii) abide by laws and regulations
      iii) treat employees fairly
      iv) follow through on contracts
      v) protect the natural environment
      vi) meet warranty obligations

vii) adhere to many other standards of good business conduct

d) Companies that continuously meet and exceed these standards are often rewarded with:

i) customer satisfaction

ii) employee dedication

iii) investor loyalty

iv) strong relationships in the community

v) positive news and social media reports

vi) the time and energy to continue focusing on business-related concerns

e) Firms that fail to meet these responsibilities can face penalties, both formal and informal, and may have their attention diverted from core business practice.

i) The goal is to prevent these negative outcomes in the future.

f) Businesses today are expected to look beyond their self-interest and recognize that they belong to a larger group, or society, that expects responsible participation.

g) The term *social responsibility* came into widespread use in the business world during the 1970s. It has evolved to emphasize seven main areas: social issues, consumer protection, sustainability, corporate governance, philanthropy, legal responsibilities, and employee well-being.

i) **Social issues** refer to challenges or problems that affect individuals, communities, and society as a whole.

(1) In a business context, social issues encompass the responsibilities companies owe to society, focusing on the common good and societal welfare.

(2) Equal rights, gender roles, marketing to vulnerable populations, data protection, and internet tracking are examples of social issues common in business.

ii) Second, **consumer protection laws** refer to laws and policies designed to safeguard consumers from unfair or deceptive business practices.

(1) These laws were enacted to protect vulnerable members of society.

(2) As a society, it is important to provide legal protection and education for consumers and businesses alike.

iii) Third, **sustainable business practices** refer to strategies and actions that companies implement to minimize environmental impact.

(1) Key aspects include reducing waste, lowering carbon emissions, and sourcing materials responsibly.

(2) Green marketing practices, consumption of resources, and greenhouse gas emissions are important sustainability considerations that socially responsible businesses will have to address.

iv) Fourth, **corporate governance** refers to formal systems of oversight of, accountability for, and control over organizational decisions and resources.

(1) Issues in corporate governance include concerns over executive compensation, internal control mechanisms, and risk management.

v) Fifth, **philanthropy** refers to corporate giving through donations, volunteerism, nonprofit partnerships, or internal programs.

- vi) Sixth, **legal responsibility** is the most basic expectation that a company must comply with the law.
  - (1) Legal responsibility is often thought of as the most basic expectation. Accordingly, organizations must show that they have exceeded their legal responsibilities before they can address their ethical purposes and standards.
- vii) Finally, **employee well-being** refers to the health and wellness of employees, including how workers feel about their work and their working environment.
  - (1) Occurs when organizations create a safe, healthy, diverse, equitable, and inclusive employment environment for their workforce.
  - (2) Such activities include protecting employees' health and safety while creating job opportunities for development and growth.
  - (3) Employees thrive when their managers treat them

h) These seven areas of social responsibility tend to conflict with the traditional or neoclassical view of a business's responsibility to society.
- i) The traditional view of social responsibility asserts that a business has one purpose—satisfying its investors or shareholders—and that any other considerations are outside its scope.
- ii) Companies see social responsibility as part of their overall corporate strategy and a benefit that directly increases the bottom line.

i) Social Responsibility Applies to All Types of Businesses
- i) All types of businesses—small and large, sole proprietorships and partnerships, and large corporations—implement social responsibility initiatives to further their relationships with their customers, their employees, and their community at large.
  - (1) Nonprofit organizations are expected to be socially responsible.
  - (2) In addition, government agencies are expected to uphold the common good and act in an ethical and responsible manner.
- ii) Although the social responsibility efforts of large corporations usually receive the most attention, the activities of small businesses may have a greater impact on local communities.

j) Social Responsibility Needs a Strategic Focus
- i) Social responsibility is an important business concept and involves significant planning and implementation.
  - (1) Our definition of social responsibility requires a formal commitment, or a way of communicating the company's social responsibility philosophy.
  - (2) A **mission statement** defines the company's core purpose and its reason for existence.
  - (3) A **vision statement** describes a company's long-term aspirations.
- ii) Social responsibility requires action and results.
- iii) If any such initiative is to have strategic importance, it must be fully valued and championed by high-level management.
  - (1) Company objectives for brand awareness and loyalty can be developed and measured from both a marketing and a social responsibility standpoint because researchers have documented a relationship between consumers' perceptions of a firm's social responsibility and their intentions to purchase that firm's brands.

iv) Because of the need for coordination, a large company that is committed to social responsibility often creates specific positions or departments to spearhead the various components of its program.

(1) A smaller firm may give an executive, perhaps in human resources or the business owner, the ability to make decisions regarding community involvement, ethical standards, philanthropy, and other areas.

(2) Regardless of the formal or informal nature of the structure, this department or executive should ensure that social responsibility initiatives are aligned with the company's corporate culture.

(3) **Corporate culture**, sometimes called organizational culture, refers to shared values, attitudes, and beliefs that characterize members of an organization.

(4) Social responsibility must be given the same planning time, priority, and management attention that are given to any other company initiative.

k) Social Responsibility Fulfills Society's Expectations

i) In Stage 1, businesses have a responsibility to be financially viable so that they can provide a return on investment for their owners, create and sustain jobs for the community, and contribute goods and services to the economy.

ii) In Stage 2, companies are required to maintain compliance with legal and regulatory requirements specifying the nature of responsible business conduct.

iii) Beyond financial viability and legal compliance, companies must decide what they consider to be just, fair, and right—the realm of ethics, principles, and values—in Stage 3.

(1) **Business ethics** includes the principles, values, and norms that guide individual and group behavior in the world of business.

(a) Principles are specific and universal boundaries for behavior that should never be violated.

(b) A firm needs to create an ethical culture with values and norms that meet the expectations of stakeholders.

(i) *Values* are enduring beliefs and ideals that are socially enforced.

(2) Many firms and industries have chosen to go beyond these basic laws in an effort to act responsibly.

(a) A **code of ethics**, also called a code of conduct, is a written collection of the rules, principles, values, and expectations of employee behavior.

iv) In Stage 4 are **philanthropic activities**, which are efforts made by a company to improve human welfare and goodwill.

(1) By making philanthropic donations of money, time, and other resources, companies can contribute to their communities and society and improve the quality of life.

v) Social responsibility is viewed in a more holistic fashion, with all four dimensions seen as related and integrated, and this is the view that we will use in this book.

(1) Companies' fulfillment of their responsibilities can range from a minimal to a strategic focus that results in a **stakeholder orientation**, a business approach where a company considers the interests and concerns of all parties affected by the success or failure of an organization.

(a) Firms that focus only on shareholders and the bottom line operate from a legal or compliance perspective.

(2) **Resource-advantage theory** is a theory of competition that emphasizes a firm's tangible and intangible resources as key drivers of sustained competitive advantage.

(a) Tangible resources include physical assets like real estate, equipment, raw materials, and distribution networks, while intangible resources include ethics, social responsibility, brand reputation, and organizational culture.

(b) Promoting social trust and social responsibility develops the foundation for economic growth in a firm as well as a society.

(c) A company's socially responsible behavior can become a resource advantage.

(3) Strategic social responsibility is realized when a company has integrated a range of expectations, desires, and constituencies into its strategic direction and planning processes.

l) Strategic Responsibility Requires a Stakeholder Orientation

i) Constituents who have a stake in or a claim on some aspect of a company's products, industry, markets, and outcomes and are known as **stakeholders**.

(1) Companies that consider the diverse perspectives of these constituents in their daily operations and strategic planning are said to have a stakeholder orientation, meaning that they are focused on stakeholders' concerns.

(a) Adopting this orientation is part of the social responsibility philosophy, which implies that business is fundamentally connected to other parts of society and must take responsibility for its effects in those areas.

ii) For the common good to be achieved, cross-institutional and cross-organizational interactions must move society toward shared partnerships.

(1) Research suggests interorganizational networks can be an important element of a successful corporate strategy that creates shared value.

(2) By definition, **interorganizational networks** are a set of organizations that are associated through shared or mutual affiliations and interests.

3) Development of Social Responsibility

a) Employment and the benefits associated with a living wage are necessary to develop a sustainable economy.

b) Although some firms have more of a social impact than others, companies influence many aspects of our lives, from the workplace to the natural environment.

i) This influence has led many people to conclude that companies' actions should be designed to benefit employees, customers, business partners, and the community as well as shareholders.

c) Historical Review of Social Responsibility

i) After World War II

(1) As many large U.S. firms came to dominate the global economy, their actions inspired imitation in other nations.

(2) The definitive external characteristic of these firms was their economic dominance.

(3) Internally, they were marked by the virtually unlimited autonomy afforded to high-level managers.

(a) This total discretion meant that these firms' high-level managers had the luxury of not having to answer for some of their actions.

(b) In the current business mindset, such total autonomy would be viewed as a hindrance to social responsibility because there is no effective system of checks and balances.

ii) The 1950s

(1) The 130 or so largest companies in the United States provided more than half of the country's manufacturing output.

(2) U.S. productivity and technological advancements dramatically outpaced those of global competitors, such as Japan and Western Europe.

(3) The level of research and development carried out by U.S. corporations was also well ahead of overseas firms.

(4) For these reasons, the United States was perceived as setting a global standard for other nations to emulate.

iii) The 1950s and 1960s

(1) The contributions of these companies to charities, the arts, culture, and other community activities were beneficial to the industry or to society rather than simply to the companies' own profitability.

(2) Although the government passed laws that required companies to take actions to protect the natural environment, make products safer, and promote equity and diversity in the workplace, many companies voluntarily adopted responsible practices rather than constantly resisting government regulations and taxes.

iv) The 1970s and 1980s

(1) Venerable firms that had dominated the economy in the 1950s and 1960s became less important as a result of bankruptcies, takeovers, mergers, or other threats, including high energy prices and an influx of foreign competitors.

(2) The stability experienced by the U.S. firms of the midcentury dissolved.

(3) The threats and instability led companies to protect themselves from business cycles by becoming more focused on their **core competencies** and reducing their product diversity.

(4) To combat takeovers, many companies adopted flatter organizational hierarchies.

(a) Flatter organizations meant workforce reduction but also entailed increasing empowerment of lower-level employees.

v) The 1980s and 1990s

(1) Efficiency and productivity became the primary objectives of business.

(2) This fostered a wave of downsizing and restructuring that left some people and communities without financial security.

(a) The familial relationship between employee and employer disappeared, and along with it went employee loyalty and company promises of lifetime employment.

(b) Companies slashed their payrolls to reduce costs, and employees changed jobs more often.

(3) High-level managers were largely stripped of their former freedom.

(4) Competition intensified, and both consumers and stockholders grew more demanding.

(5) The escalating use of the internet provided unprecedented access to information about corporate decisions and conduct, and fostered communication among once-unconnected groups, furthering consumer awareness and shareholder activism.

(a) Consumer demands put more pressure on companies and their employees.

(b) The education and activism of stockholders had high-level management fearing for their jobs.

vi) The 1990s

(1) Corporate responsibilities were renewed.

(2) Many of these practices focused on creating value for stakeholders through more effective processes and decreased the narrow and sole emphasis on corporate profitability.

(3) At the same time, consumers and employees became less interested in making money for its own sake and turned toward intrinsic rewards and a more holistic approach to life and work.

(4) This resulted in:

(a) increased interest in the development of human and intellectual capital

(b) the installation of corporate ethics programs

(c) the development of programs to promote employee volunteerism in the community

(d) strategic philanthropy efforts and trust in the workplace

(e) the initiation of a more open dialogue between companies and their stakeholders

(5) Despite major advances in the 1990s, the sheer number of corporate scandals at the beginning of the twenty-first century prompted a new era of social responsibility.

(a) The downfall of Enron, WorldCom, and other corporate stalwarts in the beginning of the 2000s caused regulators, former employees, investors, nongovernmental organizations (NGOs), and ordinary citizens to question the role and integrity of big business and the underlying economic system.

vii) The 2000s

(1) In 2007 and 2008, a housing boom in the United States collapsed, setting off a financial crisis.

(a) Homeowners could not afford to pay their mortgages, and people began to walk away from their mortgages, leaving banks and other lenders with hundreds of thousands of houses that had decreased in value.

(i) Meanwhile, companies were using complex financial instruments known as “derivatives” to transfer the risks of securities such as mortgages, almost as a type of insurance policy.

(ii) Financial firms did not have enough of a safety net to cover so many defaults.

(b) The government was forced to step in to bail out financial firms in order to keep the economy going and prevent the economy from collapsing further.

(2) In 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act, the most sweeping legislation since Sarbanes-Oxley.

(a) Dodd-Frank is intended to protect the economy from similar financial crises in the future by creating more transparency in the financial industry

d) Recent Developments in Social Responsibility

i) After the Great Recession, the economy stabilized, and the stock market recovered.

(1) Banks and other financial institutions are larger than before but have proven to be much healthier.

(2) During the COVID-19 pandemic in 2020, which sent the economy into a brief recession and caused unemployment to soar to the highest levels since the Great Recession, banks helped keep businesses and consumers afloat through lending.

ii) Social responsibility was brought to the forefront during the COVID-19 pandemic as millions of people lost their jobs, supply chains were disrupted, and essential workers feared for their health and safety.

(1) Some companies

(a) continued to pay contingent workers that could not work due to the outbreak

(b) implemented health and safety practices

(c) donated personal protective equipment

(d) increased corporate giving

(e) offered financial assistance to employees

(2) Some companies were slow to respond or did not respond adequately.

iii) Environmental, social, and governance (ESG)

(1) Stakeholders are increasingly demanding that firms protect the environment, contribute to social causes, and engage in conduct that is responsible and ethical.

(2) This trend is causing firms to improve their ethical principles and play a more active role in society.

(3) **Environmental, social, and governance (ESG)** is a framework for evaluating firm performance in the areas of environmental, social, and governance.

(a) Environmental refers to actions related to climate change, energy use, waste, pollution, recycling, and more.

(b) Social refers to policies and programs related to employees (human capital), equal pay, LGBTQ+ policies, and product liability, among other issues.

(c) Governance refers to corporate governance issues such as regulatory compliance, transparent accounting methods, ethical leadership, executive compensation, oversight, and accountability.

(4) ESG and corporate social responsibility are related but not interchangeable concepts.

(a) ESG refers specifically to the measurable criteria used to evaluate a company's impact.

(b) In contrast, social responsibility encompasses a broader view of voluntary commitments and actions to address social, environmental, and economic impacts.

(5) ESG has been widely adopted in the financial industry.

(6) ESG is not without its criticisms.

(a) The lack of standardized reporting and different opinions among business leaders on how to measure ESG contribute to these concerns.

(b) The framework could lead to greenwashing.

(c) Some argue that businesses should prioritize profits over social and environmental matters.

(7) Despite criticism of ESG, these concepts are not going away.

4) Global Nature of Social Responsibility

a) Although many forces have shaped the debate on social responsibility, the increasing globalization of business has made it an international concern.

i) A common theme is criticism of the increasing power and scope of business and income differences among executives and employees.

ii) Questions of corruption, environmental protection, fair wages, safe working conditions, and the income gap between rich and poor are posed.

b) The globalization of business has critics who believe that the movement is detrimental because it:

i) destroys the unique cultural elements of individual countries

ii) concentrates power within developed nations and their corporations

iii) abuses natural resources

iv) takes advantage of people in developing countries

c) Advocates of the global economy counter these allegations by pointing to increases in:

i) overall economic growth

ii) new jobs

iii) new and more effective products

d) A key question to implementing social responsibility on a global scale is: "Who decides on these responsibilities?"

i) Many executives and managers face the challenge of doing business in diverse countries while attempting to maintain their employers' corporate culture and satisfy their expectations.

ii) Some companies have adopted an approach in which broad corporate standards can be adapted at a local level.

e) Global social responsibility also involves the collaboration of government, business, trade associations, and other groups.

f) Another trend involves business leaders becoming so-called cosmopolitan citizens by simultaneously harnessing their:

i) leadership skills
ii) worldwide business connections
iii) access to funds
iv) beliefs about human and social rights

g) Progressive global businesses and executives recognize the shared bottom line that results from the partnership among:

i) businesses
ii) communities
iii) government
iv) customers
v) the natural environment

5) Benefits of Social Responsibility
   a) If social responsibility is strategic and aligned with a firm's mission and values, then improved performance can be achieved
   b) Ample research evidence demonstrates that companies that implement strategic social responsibility programs are more profitable
   c) Some of the specific benefits include:
      i) increased efficiency in daily operations
      ii) greater employee commitment
      iii) higher product quality
      iv) improved decision-making
      v) increased customer loyalty
      vi) improved financial performance
   d) Trust
      i) Trust is the glue that holds organizations together and allows them to focus on efficiency, productivity, and profits.
         (1) When trust is low, organizations decay and relationships deteriorate, resulting in infighting, playing politics within the organization, and general inefficiency.
         (2) In a trusting work environment, however, employees can reasonably expect to be treated with respect and consideration by both their peers and their superiors.
      ii) Trust is also essential for a company to maintain positive long-term relationships with customers.
   e) Customer Loyalty
      i) A company should strive to market products that satisfy customers' needs through a coordinated effort that also allows the company to achieve its own objectives.
      ii) By focusing on customer satisfaction, a business can continually strengthen its customers' trust in the company, and as their confidence grows, this in turn increases the firm's understanding of their requirements.
      iii) Irresponsible behavior could trigger disloyalty and refusals to buy, whereas good social responsibility initiatives could draw customers to a company's products.
   f) Employee Commitment
      i) Employee commitment stems from employees who are empowered with training and autonomy.
      ii) When companies fail to provide value for their employees, loyalty and commitment suffer.
   g) Shareholder Support
      i) To be successful, relationships with stockholders and other investors must rest on dependability, trust, and commitment.
      ii) Investors also look for potential cracks or flaws in a company's performance.
      iii) Many shareholders are also concerned about the reputation of companies in which they invest.
         (1) Many investors recognize that corporate responsibility is the foundation for efficiency, productivity, and profits.
         (2) In contrast, investors know that fines or negative publicity can decrease a company's stock price, customer loyalty, and long-term viability.
      iv) The issue of drawing and retaining investors is critical to CEOs
         (1) This focus on short-term gains subjects corporate managers to tremendous pressure to boost short-term earnings, often at the expense of long-term strategic plans
      v) Those shareholders willing to hold onto their investments for lengthy periods are more willing to sacrifice short-term gains for long-term income.
      vi) Gaining and retaining investors' trust and confidence are vital for sustaining a firm's stability, as well as the stability of an entire market.
   h) The Bottom Line: Profits