Laying a Foundation

Ethical Decision Making, Social Responsibility, Corporate Governance, Stakeholders and Activism, and Sustainability

Learning Objectives

AFTER READING THIS CHAPTER, YOU SHOULD BE ABLE TO

LO1 Articulate common ethical decision-making perspectives.

LO2 Explain what it means to be a socially responsible organization and individual.

LO3 Summarize how corporate governance and stakeholder activism influence business ethics.

LO4 Describe what it means to be sustainable.

WHERE DO **YOU** STAND?

What Are the Limits to Performance Enhancement?

Performing well makes us feel good about ourselves, causes others to view us more positively, and commonly results in more opportunities in various arenas of our lives. For instance, students who earn good grades in high school and score well on standardized tests (where required) typically have more options of colleges to attend. Students who perform well in college often have more rewarding and higher paying job opportunities, and once in the workforce, high performance generates still more attractive opportunities within the same organization or with other employers over time.

Since performance is so important, what are the limits to what you, as a student, will go to improve your performance? The obvious answer is to study, but others may cheat. Perhaps not you, but many surveys have shown that a large percentage of college students cheat to some extent or with some frequency.

But what about performance-enhancing drugs (PEDs)? Whether it is the Tour de France, the Olympic games, or a season of football, some amateur and professional competitors test positive for a banned substance. The primary reason such substances are banned is that those who use them gain an unfair advantage.

This scenario parallels the use of "study drugs" by college students. Ritalin, Concerta, Focalin, Vyvanse, and Adderall are brand names of some of the most common study drugs, which are forms of stimulants that affect neurotransmitters in the brain. They improve memory, concentration, alertness, attention, and motivation, and presumably performance.[1]

Many college students are prescribed these drugs by physicians for legitimate medical reasons—typically attention deficit hyperactivity disorder (ADHD) and less commonly for narcolepsy.[2] However, most students would benefit from increased memory, concentration, and alertness, and it therefore is no surprise that next to alcohol and pot, such stimulants are the most widely available and commonly used drugs among college students.[3]

Some studies show that less than a quarter of the students who take such drugs have a personal prescription. Although the use of these drugs is illegal, their widespread use and acceptance suggest that the perceptions

of the users are not influenced by legality. Some argue that the casual attitudes—abundant and willing buyers and sellers—reflect that such forms of performance enhancement are accepted norms.

1. Assume you use study drugs without a legitimate medical reason; explain why you do this.
2. Assume that you and a number of your classmates were caught purchasing Adderall from a fellow student and that you need to explain this to your professors. Dean. Provost. Parents. What would you say (the TV Test)?
3. Assume you do not use and never have used study drugs. Explain why.
4. What is the difference between performance-enhancing drugs (PEDs) in sports and those used to boost academic performance? Don't PEDs provide an unfair advantage in both arenas? Explain.

Introduction

Chapter 2 is intended to complement chapter 1 and introduce additional key concepts related to the ethical conduct of individuals and organizations. The purpose is to equip you with some common language and foundational knowledge, as well as to give you a sense of how individuals and organizations (employees and employers) influence each other's ethical conduct.

We begin with an overview of how people make ethical decisions. This material originates in philosophy and has been applied more broadly to business. It is presented in a simple and applied fashion to give you enough detail to understand these approaches, which you can then use to describe and guide ethical decision making for yourself and others, including your employers. Then, we will answer the question: "What does it mean to be socially responsible?" Historically, academics and practitioners think and talk about social responsibility (SR) related to only organizations, but we can also apply SR to individuals.

Two other important influences on business ethics are corporate governance and stakeholder activism. As you'll learn, boards of directors typically have ultimate responsibility for the conduct of organizations and their leaders and thus have considerable importance and influence. Similarly, stakeholders help determine or even pressure ethical conduct in a host of ways.

Common Ethical Decision-Making Perspectives

Ethical issues surround us, and as we already established, it is tough to simply say, "Be a good person," as life is more complex and challenging, especially at work. However, volumes of research and practical experience can help you understand and guide your ethical conduct throughout your career. In this section, we highlight several fundamental ways to describe ethical conduct and decision making, specifically focusing on the ends, the means, and personal traits. We then conclude the section with a discussion of ethical relativism.

It's All about the Consequences (Teleological Ethics)

consequentialism (teleological) ethics uses the outcomes or results of an individual's, group's, or organization's actions to determine the ethicality (right vs. wrong)

Teleos, a Greek word, means "ends," therefore **consequentialism (teleological) ethics** uses the outcomes or results of an individual's, group's, or organization's actions to

determine the ethicality (right vs. wrong). Put differently, whether a decision is right or wrong depends entirely on the outcome of that decision.[4] There are multiple approaches within consequentialism.

Utilitarianism. A common version of this form of consequentialism (teleology) ethics is **utilitarianism**, and it applies when the motive is the greatest good for the greatest number. Philosophers Jeremy Bentham and John Stuart Mill (in the 1700s and 1800s) are often credited with this approach to ethics; they argued that the benefits of the many should be served, not just benefits to the ruling or powerful few.[5] For business ethics and our purposes, this means that consideration of a greater number of stakeholders and the effects of actions over time are more likely when individuals and organizations use a utilitarian approach to business ethics. This is illustrated by Dan Price, CEO of credit card payment processing company Gravity Payments in the following Ethics in Action box.

> **utilitarianism**
> applies when the motive is the greatest good for the greatest number

More generally, utilitarianism occurs when individuals and organizations emphasize benefits to others or the team over personal gain or benefits to the powerful. This also occurs when cost–benefit analyses and the resulting decisions favor the many rather than the few.

However, a utilitarian approach can present truly challenging ethical dilemmas for managers, for instance, when they need to reduce head count. During a pandemic and most other economic downturns, revenues and profits decline and job cuts are made. But it is little comfort for a manager or owner to say, "We need to terminate 50 percent of you to save the other 50 percent." Or, when your employer, the one you selected instead of another due to the perceived opportunities for professional development, says, "Times are tough, and we therefore are cutting tuition reimbursement and our leadership development program."

It is important to point out, however, that sometimes decisions with undesirable outcomes for some prevent undesirable outcomes for the many or for everyone. Cutting some jobs can save all jobs if not eliminating some would cause the entire company to fold. Moreover, many government policy decisions are indeed focused on providing some benefits to the greatest number.

Ethics in Action

A Rising Tide…

Gravity Payments CEO, Dan Price, famously cut his own compensation to ensure all employees at his company made at least $70,000 per year. Instead of earning $1.1 million, he also makes $70,000. His action resulted in 70 of his 120 employees getting a raise. For 30 employees, their pay doubled! He was motivated by a desire to do his part to reduce income inequality and the belief, gained from some research he read, that $70,000 is a living wage and improves people's quality of life.[6]

Price's actions were not without criticism. He was told by a competitor that if he followed the compensation practices of most other tech companies, he would soon be a billionaire. And as a billionaire, Price could do even more good. Price reflected on this in an interview and said, "He's telling me that the world needs another billionaire philanthropist, and I just don't know if that's the case. Because we've been relying on billionaire philanthropists for so long, and I don't really think that's working out very well for us."[7]

egoists
make ethical decisions based on their personal preferences and what serves their self-interests

Egoism.   **Egoists** make ethical decisions based on their personal preferences and what serves their self-interests.[8] As such, egoism is an extreme and individualistic form of consequentialism or teleological ethics. Put another way, you are an egoist if you reason that whatever course of action benefits you is right, and any course of action that conflicts with your interests is wrong, or at least worse. This approach may seem a little black and white or overly simplistic to you, but it has been the basis of economic and behavioral theory and reasoning for nearly one hundred years.

More bluntly, we are self-interested because we are human, and all else equal, you would choose the job with the higher pay over the one that pays less. And when confronted with an ethical dilemma, when push comes to shove, people will often choose what they think benefits them the most.

Adam Smith, the famous Scottish philosopher and capitalist of the 1700s, argued that the pursuit of self-interest is not only satisfying for the individual but that it ultimately benefits the larger society. The rationale is that if an individual or an organization does not strive for their self-interests, they will not generate resources and opportunities for others, such as growth, jobs, and higher wages.[9]

As an example, a large proportion of CEO compensation is commonly tied to company stock. Therefore, many of their goals and actions aim to boost the stock price and thus their compensation. Many argue that the Great Recession, for instance, was in large part a consequence of how people from the top to the bottom of financial organizations were rewarded.

Mortgage brokers and providers sold more mortgages to home buyers, and investment firms on Wall Street packaged these mortgages into investment products that were in turn sold to investors. They all got paid and were often paid well. The rewards were so extreme that the cycle became self-reinforcing. Mortgage brokers did what was necessary to finance more homes (e.g., loosened buyer qualifications), and Wall Street firms created new and more sophisticated packages of mortgages to attract more investors, not just in the United States but around the world. This was rational. This was egoism on a grand scale.

But then it all stopped. Housing prices fell, homeowners defaulted, and all those who had invested in the mortgage-backed products saw the values plummet. This affected homeowners, banks, mortgage companies, and Wall Street firms and their many investors.

Let's be clear. You need to advocate for your personal interests in every job you'll ever have; this is necessary to create and realize opportunities. This is smart and expected, but ethical challenges arise when you pursue your own interests always, without appropriate regard for others. For instance, if you use your power as the boss to tear down another to advance yourself, then you're likely taking egoism too far. Egoistic people often become highly political and will scheme and betray others to serve their own interests.

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Often the more ethical and sustainable approach is to carefully consider the relevant stakeholders and the possible courses of actions and associated consequences and then pursue a reasonable course and outcome. This is exactly one of the intended applications for the Three-Dimensional Problem-Solving for Ethics (3D PSE) introduced in chapter 1.

A couple of phrases you need to beware of are:

"So what, we got a good outcome!"
"It doesn't matter so long as I get paid."

Bottom line: You are well served to be mindful of the consequences of your actions for a wide array of stakeholders, for better and for worse.

Another foundational approach to ethics focuses on the means to the ends (e.g., rules and duties) rather than the ends or outcomes.

Your Motives and Deontological Ethics

Deontologists make ethical decisions based on moral principles of what is right and wrong, and they give primary attention to the intentions or motives of their actions rather than the consequences.[10] "Deon" means duty in Greek, and deontological ethics is closely associated with Immanuel Kant, an eighteenth-century German philosopher. Deontologists believe that some basic principles should be followed in all situations, regardless of the outcome.[11]

Universalism.   Central to deontological ethics is the concept of **universalism**, which occurs when you follow particular ethical codes or rules in all situations and with all stakeholders, regardless of the consequences. Notable examples are:

- Don't lie
- Don't cheat
- Don't steal
- Don't say anything about someone you wouldn't say to their face.

Applying these codes to business ethics, you might think it is essential to treat everyone with respect and dignity. These ethical codes or rules are reflected in basic human rights, arguments related to equality, as well as many of the world's religions.

Such universal standards are easy to admire, but they are difficult to implement as they are absolute, unwavering, and inflexible. Don't lie. But what if it would save a life? In crisis situations, pilots, medical professionals, and soldiers literally make life-or-death decisions. Do they need to be completely honest without exception? Can individuals in these roles always be compassionate? Could they save or spare every life?

In practice, both individuals and organizations have difficulties following universalism and thus deontological ethics in the work context. Doing so would result in everyone following their own employer's or own country's values and norms everywhere, with everyone, without exception.

At first glance, following deontological ethics seems to be a good idea, but when you get into the implications of implementation it is difficult. Let's make this more applicable by exploring a test, which will help you determine the circumstances where you can reasonably follow universalism and where you cannot. This is done by considering categorical imperatives, a test that can be applied to all situations.

Categorical Imperative and the Golden Rule.   **Categorical imperative (CI)** is a rule that applies in all situations regardless of consequence.[12] CIs are ways to test if a particular principle is universal or not. Let's consider "honesty." Most people would agree that honesty is something we should practice—it is universal, a categorical imperative. However, you likely can quickly think of exceptions. Would you tell someone the truth if it would hurt their feelings? Would you tell your friend you think they are unqualified just before they go to a job interview? Would you tell your coworker they are ugly and everyone thinks so? Although this may sound trite or even ridiculous, the point is that there are exceptions. If there are reasonable and real exceptions, then it is not a categorical imperative, and thus not truly universal.

A quick way to determine if a particular value or principle can be universally applied at work is to ask yourself, "If everyone did X in this situation, would the company be a better off?" If the answer is yes, then it is right according to deontologic ethics, and if the answer is no, then X is wrong.

deontologists
make ethical decisions based on moral principles of what is right and wrong, and they give primary attention to the intentions or motives of their actions rather than the consequences

universalism
occurs when you follow particular ethical codes or rules in all situations and with all stakeholders, regardless of the consequences

categorical imperative (CI)
a rule that applies in all situations regardless of consequence

More generally, despite the potential practical challenges, you, your manager, and the corporate policies and practices or your employers can all uphold some basic standards or categorical imperatives of fairness, kindness, and respect. Put differently, it is difficult to think of situations at work in which individuals and stakeholder groups should not be treated with fairness, kindness, and respect. Can you think of any situation in which you didn't deserve all three?

And if you personally are ever in a tough spot or are confronted with an uncomfortable ethical situation involving another individual, remember the **Golden Rule**—assume the roles are reversed and treat that person as you would like to be treated by them. This won't solve every challenging situation, but it will solve many.

Virtue Ethics

Virtues are qualities of an individual that define one's moral character, or "goodness," and are positively impact society. **Virtue ethics** focuses on the personal qualities of the individual, rather than the rules followed or resulting outcomes. For instance, a virtuous person is honest and fair (two virtues that are common across cultures), because she or he believes this is what makes a person good. Not because it is expected by others, or because it will generate personal advantage or benefit. The origin of this approach is often attributed to Aristotle, who was interested in understanding the intentions and motivations of good people.[13] He claimed that adopting, embracing, and habitually enacting virtues is what causes people to achieve the ultimate level of happiness and goodness.[14]

So what are common business virtues? Researchers have explored this since the 1990s, and one influential early study identified 45 virtues! More recent work refined the original large number into three broad categories comprising a number of virtues, which are illustrated in table 2.1.

Golden Rule
assume the roles are reversed and treat that person as you would like to be treated by them

virtues
qualities of an individual that define one's moral character, or "goodness," and are positive contributors to society

virtue ethics
focuses on the personal qualities of the individual, rather than the rules followed or resulting outcomes

table **2.1**

Business Virtues

Business Virtue	Brief Definition
1. Justice	Deal with people fairly
2. Integrity	Be true to yourself
3. Honor	Be true and hold your head high
4. Articulate	Express yourself clearly
5. Cooperative	Effectively work with others
6. Tolerant	Endure difficulties and differences
7. Autonomy	Make decisions for one's self and establish an identity
8. Cool-headed	Maintain composure
9. Determined	Persist through challenges
10. Entrepreneurial	Take initiative and risk
11. Passion	Evident enthusiasm for something
12. Style	Correctness and clarity of speech
13. Saintliness	Seek excellence of personal character

Source: Created from D. Dawson, "Measuring Individual's Virtues in Business," *Journal of Business Ethics* 2018, 147: 793–805.

On the surface, this may sound quite abstract or at least different, but a virtuous approach to ethics is common and can indeed be quite practical.

A person who takes a virtuous approach to business ethics asks, "What type of person do I want to be?" rather than "What should I do?" (deontological ethics) or "What will produce the most desirable outcome?" (teleological ethics). This approach to business ethics thus focuses on the individual, who by living their positive traits (virtues) consistently and habitually influences others to do the same. (You'll learn more about influencing others through virtuous leadership in chapter 7.)

Real-world examples abound. Religions and professional or trade organizations often have codes of conduct (chapter 9) and values (chapter 8) that guide the behavior of their members. Both of these often represent the virtues of the organization, which are the collection of virtues of the employees. For instance, the Reiter Affiliated Companies, based in Oxnard, California, have existed since 1968 and are known for growing some of the finest berries in the world (strawberries, blueberries, raspberries, and blackberries). They have a long and strong history of sustainable and organic farming, along with a deep-seated commitment to treating their stakeholders according to three virtues—honesty, fairness, and respect.[15] The founding family created and continues to pursue the mission:

> *"Relentless pursuit to delight our consumers and enrich our employees and communities."*

The company's giving is intended to improve the health and well-being of its farmers, their families, and the communities in which they live. They have and continue to base their success on the well-being of multigenerational employees and partners, not just the founding family.[16]

Virtuous people are motivated by the desire and commitment to being a good person, rather than conforming to the expectations of a particular situation or organization, or the rewards and recognition received in return.

Now that you have a sense of the three pillars of classical approaches to ethics, and their application to business, we turn our attention to something completely different—relativism. This approach, rather than applying the same ethical standards in all situations, or pursuing good for the sake of goodness, describes how the appropriate conduct can and should change, depending on the situation. In other words, ethics are relative.

Relativism

Relativism means that ethical conduct is dependent on the norms of the context; thus changing contexts may change what is considered ethical too.[17] If a behavior matches what is considered normal or typical in that particular group, company, or country, then it is ethical. Part of the issue with the relativistic approach is that there are no universals. If, for instance, your job requires you to work in a country where it is the norm to oppress women or other members of the population, then from a relativistic perspective, it would be appropriate for you to do the same. If confronted with such a situation, you might say, "I object, and I'm not going." Okay, and you might even keep your job. But, you would still be working for a company that does business in places and with people that do oppress women. Is this better? Such conflicts or dilemmas are common with a relativistic approach to business ethics.

More generally, unethical, or at least questionable, behavior can become a norm and cause otherwise well-intentioned and ethical employees to do the wrong thing. You'll learn much more about this in chapter 8 on ethical business cultures, but relativism is one way to explain the downfall of Enron and its accounting firm Arthur Andersen.

relativistic approach
ethical conduct dependent on the norms of the context; thus changing contexts may change what is considered ethical

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Arthur Andersen was one of the world's premier accounting and consulting firms. Its clients included a laundry list of the largest companies in the United States and around the world, one of which was Enron, an innovative and fast-growing energy supplier and trader in the 1990s. Along with its impressive innovations, Enron was guilty of inflating revenues, hiding expenses, and misleading numerous stakeholders. For its part, Arthur Andersen helped the company make these activities appear above board—legitimate. Once the truth was unveiled about Enron, so too was the scope of Arthur Andersen's role. Making matters worse, it was ultimately discovered that Arthur Andersen systematically destroyed documents in an attempt to hide their misconduct.[18]

In terms of relativism, Enron and Arthur Andersen showed how unethical conduct can appear appropriate if the norms of the context support it. Put differently, between them, the two companies employed nearly 100,000 employees, and although there were some bad apples in the bunch who knowingly did the wrong thing, nearly all of these people were upstanding professionals, devoted to their careers and their employers. It was the conduct of their previously highly regarded employers that legitimized the conduct that ultimately caused their demise.

Relativism also occurs across national borders. The classic expression "When in Rome, do as the Romans do" captures cultural relativism. But this idea is a double-edged ethical sword. If your country's ethical standards are more inclusive and considerate, and you uphold those in a host country, then most will think you are taking the higher ground and more ethical path. However, it can cost you business if the ethical norms in a host country include side payments in the form of cash or other favors, like jobs for those involved in the decision.

Another example is the differing views in preferential hiring of relatives or friends, called nepotism,[19] in Spain and the United States. Although preference for family and friends definitely influences many hiring decisions, laws prohibit many such hires in the U.S. And even when not illegal, it is often frowned upon as the family member is perceived as unfairly favored (e.g., less qualified). In contrast, the Spanish routinely hire family, and are expected to take care of family, including securing them employment even when they may not necessarily be the more qualified candidate. This practice is supported not only by tradition (norms) but also with the belief that hiring family builds employee loyalty. Generations will

For Discussion

1. Why do you think that thousands of employees at large companies (e.g., Enron and Arthur Andersen) engage in unethical conduct on a daily basis, yet they don't think it is unethical?

2. What would you be inclined to do if you found yourself in such a situation?

3. Assume you worked for Arthur Andersen as a consultant on the Enron account during this period, and now you are interviewing for a job. The interviewer notices this part of your history and asks you, "I see you worked at Arthur Andersen, did you work on the Enron account?" How would you respond?

look out for each other, be committed to the employer while being committed to each other, and be less likely to leave for another employer.[20]

Moreover, relativistic organizations most often simply comply with legal standards, and as you learned, being legal doesn't mean it is ethical. This is one reason why many companies have been criticized for outsourcing manufacturing and services to other countries with lower standards in terms of environmental regulations, employee rights, and working conditions—the infamous sweatshops and low-wage work many US-based companies have taken advantage of when sourcing work to China, Southeast Asia, Africa, and Latin America.

Combining the material in chapter 1 with this first portion of chapter 2, you have a good start at understanding and applying some fundamental business ethics concepts. We'll continue building this foundation with SR next.

The Socially Responsible Organization and Individual

The previous sections explained some fundamental and different approaches to the business ethics of individuals. But as we explained in chapter 1, the ethical conduct of individuals is influenced by the organizations in which they work. We therefore explore a fundamental and popular business ethics concept commonly associated with organizations—SR. However, in this book, we expand this notion to also include individuals. **Social responsibility (SR)** is an individual's or organization's obligation to maximize the positive impact and minimize the negative impact on stakeholders. Notice that we also define this concept in terms of both individuals and organizations, as in today's world, we expect both to be socially responsible. Frankly, you expect the same from individuals and organizations with whom you interact and have relationships, and when viewed this way, SR makes perfect sense.
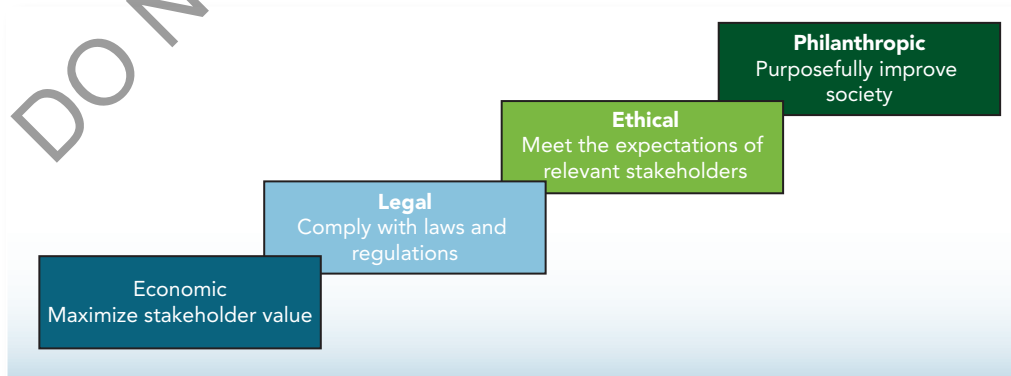
social responsibility (SR)
individual's or organization's obligation to maximize the positive impact and minimize the negative impact on stakeholders

Corporate Social Responsibility

Corporate social responsibility (CSR) is social responsibility at the organizational level and is commonly described in terms of the multiple levels of responsibilities shown in Figure 2.1.

figure 2.1

Levels of Social Responsibility

Source: Adapted from A. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders," Business Horizons, July-August, 1991: 41.

Most organizations need to make money to survive; therefore, making a sufficient profit from its products and services is the most basic economic responsibility. Quite simply, if a business doesn't achieve sufficient profit, then it ceases to exist and business ethics are no longer relevant. Issues of business ethics, therefore, concern how profits are made, the impact of making profit, and perhaps how much profit is made. Economic responsibility needs to be achieved *legally*, enough said. *Ethical* responsibilities we have already defined and will address throughout the book. *Philanthropic* responsibilities are those that are not required for the survival of the business but contribute to the well-being and betterment of individuals, organizations, and society. Environmental and social justice issues are common examples of philanthropic responsibility and are studied in chapters 12 and 13.

Individual Social Responsibility

Although business ethics books do not typically apply SR to individuals, it is necessary to show students and clients how to fulfill these same responsibilities as individuals. Here's how.

Economic responsibility is your need to earn enough income to support your lifestyle— money for your rent or mortgage, car payment, food, student loans, other basic needs, and, of course, for clothes, entertainment, and perhaps health insurance. Many people like you, of course, want to do more than meet their basic needs, and some even want a luxurious lifestyle and cool toys. This is fine, but the issue is how you pursue your own economic interests, beginning with the legality of your actions. Plainly and simply, earn your money legally! To meet *legal responsibility*, don't break the law or violate rules and regulations when doing your job. The next Ethics in Action box provides an interesting dilemma that tested the SR of many people.

Ethical responsibility often concerns how you meet your economic responsibilities. Do you cheat, steal, or undermine others? Are you a bully? These are problematic issues and easy to understand, but what is more challenging is identifying all the relevant stakeholders, both primary and secondary, for a given situation. Understand, consider, and attempt to meet their expectations related to ethical conduct.

impact philanthropy
requires strategic partnerships involving action planning, measurable outcomes, and accountability

Finally, do you volunteer your time or donate money to a particular cause or organization? These are obvious and common forms of *philanthropy*. For some people, these actions generate more satisfaction and passion than their jobs. Although individual-level giving is indeed valuable, many organizations have this program as their mission; the Gates Foundation, the world's largest philanthropy (greater than $40 billion in resources), was launched in 2000 with the mission to improve healthcare and reduce poverty around the globe. It is now the full-time focus of both Melinda and Bill, who stepped down from the Microsoft board of directors in 2020.[23] It also has an open access policy, wherein any data collected by the organization is shared with others who may benefit. It has helped revolutionize philanthropy into a more contemporary form—**impact philanthropy**, which requires strategic partnerships involving action planning, measurable outcomes, and accountability.[24] This differs from giving for giving's sake or simply writing a check.

Pencils of Promise is a "for purpose" (rather than a nonprofit) charity that adopted a business-oriented approach to giving similar to the Gates'. One hundred percent of the money donated is spent on those it serves, and it also measures the return on investment (ROI) of every dollar spent and ensures appropriate allocation and execution. The mission has helped to

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Ethics in Action

A Pay Raise for Not Working? I'll Take It!

What if you were given a choice: be laid off and actually earn the same or more money than when you worked, or change the shift you work and make the same as before? The answer may be obvious or easy. But before you answer, read the following real-world scenario.

The government took many steps to lessen the effects for many employees laid off due to COVID-19. One such action was the paycheck protection program (PPP). In addition to the weekly unemployment insurance check, this program gave unemployed workers an extra $600 per week for several months. This is not the issue. The issue is that some percentage of these same employees had a choice of whether they wanted to be laid off or not, as they worked for companies that only reduced the number of shifts and didn't shut down completely. This subset of employees had a choice: switch to another shift or be laid off.

Many (i.e., likely thousands) employees in this situation actually earned the same or more by not working. Here's how that worked. Assume you earned $600 per week in your job. PPP pays $600, which means regardless of the amount of your unemployment insurance check, you can make the same amount of money by not working. But all of these people were also getting unemployment insurance (average of $378 per week in the spring of 2020[21]). If you do the math, then from a purely economic perspective, if you made $978 or less per week (the median in the United States in 2019 was $936[22]), then you would make the same or more money taking the layoff.

For Discussion:

1. If given the choice and the scenario above, then what would you do? Justify.
2. Now assume you are married, and your spouse remained employed through all of this. This means your bills would still be paid. How does this affect your decision? Explain.

educate children in developing countries, and to this end, it not only helps build schools, but it also helps operate them afterward. As for pencils and pens, the organization has distributed thousands to children in over fifty countries.[25]

The key to meaningful philanthropy, for you as an individual, is to give serious consideration as to where and how to invest your resources of time, money, and expertise—who will benefit. Start with an individual's or organization's needs. Then, assess them to see if who they are and what they do is consistent with your own values, and ensure that they also follow the law and conduct themselves in ethical ways. Perhaps they too are philanthropic and worthy of your donation.

With the various forms or levels of social responsibility in mind, it is time to learn about important influences on the operation of an organization.

The Influence of Corporate Governance and Stakeholder Activism on Business Ethics

So far in this chapter, you've learned there are multiple approaches to making ethical business decisions. You also now know something about what it means to be a socially responsible individual and organization. To further develop your knowledge of business ethics and

skills, we next explore boards of directors and their role in overseeing these responsibilities and conduct of organizations.

Corporate Governance

corporate governance
the system of rules, practices, and processes by which organizations are managed

boards of directors
collections of individuals who have ultimate responsibility for an organization's policies, practices, and performance

shareholder model of governance
directors and their governance actions are primarily intended to ensure that top management's actions boost the stock price for shareholders

stakeholder model of governance
considers the interests of a broad range of stakeholders both inside and outside the company

Corporate governance describes the system of rules, practices, and processes by which organizations are managed.[26] These responsibilities are typically shared by the top management team and the board of directors. **Boards of directors** are collections of individuals who have ultimate responsibility for an organization's policies, practices, and performance. They are required to act in the interests of the organization and oversee its resources (e.g., human, intellectual, physical, and financial) and many important elements of organizational functions, such as

- Executive compensation
- Executive succession
- Compliance with regulations
- Strategy
- Financial performance (profitability, share price, market share)

For many years, businesses, in general, have been criticized for an excessively narrow focus on shareholders, referred to as the **shareholder model of governance**, and this blame is appropriately shared by directors. Directors and their governance actions are primarily intended to ensure that the top management team's actions boost the stock price for shareholders (or value to the owners of private companies). Many scandals in the past decades are, at least in part, attributed to a shareholder model of governance. Laws are a common way society has responded to some of the major scandals, and they often attempt to hold board members personally accountable for the misconduct of the organizations they oversee and the executives who manage them. Some of these laws and regulations are covered in chapter 9.

In contrast, boards of directors who apply a **stakeholder model of governance** consider the interests of a broad range of stakeholders both inside and outside the company. A fundamental challenge for directors using this model is to determine which stakeholders are primary at a given point in time and thus receive the major focus of the organization's

⟳ Ethics in Action

Business Is More than Just Shareholders, Customers, and Employees

The "buy one, give one" business model provides an excellent example of how a growing number of companies are embracing the stakeholder model. Made popular by Blake Mycoskie, founder of TOMS Shoes, companies applying this approach donate one product to people in need for every unit purchased by a customer. For instance, TOMS has donated over 86 million pairs of shoes since its inception and has expanded its offerings to eyeglasses and safe drinking water.[27]

David Heath and Randy Goldberg, cofounders of Bombas, have taken the same approach with socks. They learned that socks were the most sought-after item by the homeless, and what started as a charitable endeavor is now a thriving enterprise—profitable every year since it began. Bombas leadership is also keenly focused on the customer, and the company is intensely dedicated to producing a high-quality, comfortable product. Employees seemingly also love the company, given that only seven people have quit in the first 6.5 years.[28]

resources. The previous Ethics in Action box about the "buy one, give one" business model illustrates the stakeholder approach to governance selected by the founders and leaders of TOMS and Bombas.

Table 2.2 lists numerous companies recognized for giving back and utilizing a broad stakeholder approach. Besides learning about how the companies make their impact, consider if you might like to work for any of them. They could be potential job targets for you, or at least they may give you some practices to look for in companies with whom you interview.

table 2.2

Companies that Care about Stakeholders[29]

Organization	Line of Business	Why named to list/qualifications
Salesforce	Software, customer relationship management	Matches employee charitable giving up to $5,000 and its' Vetforce program offers new skills training, career coaching, and mentoring.
Ultimate Software	HR and Payroll Technology	UltiVETS program helps renovate military veterans' homes and three paid volunteer days annually for employees. Values diversity through various employee "communities of interest." For example, PRIDEUS group formed for LGBTQIA staffers and allies.
Adobe	Software	Create Change Program encourages charitable giving by donating $250 to charity for every 10 employee volunteer hours. Girls Who Code Teaches underserved girls coding and pairs them with a mentor.
Pricewater-houseCoopers	Audit, tax, and consulting	"Check Your Blind Spots" video leadership series by CEO Tim Ryan. Access Your Potential partners' employees and partner organizations with underserved students to teach tech and money skills (128,000 hours helping kids with STEM).
Patagonia	Clothing	Environmental Internship Program provides full pay and benefits for up to two months to an employee who is interning full-time with a nonprofit environmental group of his or her choice. For more than thirty years has donated 1 percent of its sales to grants that preserve and restore the environment, with employees playing a huge role in deciding where the money is given.
USAA	Insurance, banking, investments	Prioritizes giving jobs to vets and family members (over 13,000 hired since 2006). Created the Military Spouse Economic Empowerment Zones (MSSEEZ) program to provide military spouses with employment and career help.
Workday	Information technology	Aspires to create an inclusive and diverse workplace. "Employee Belonging Councils," created by staffers, include Women@Workday to support women, Workday Pride to promote respect for LGBTQ communities, and The Talented Tenth to inspire African Americans about software technology careers.
NuStar Energy	Independent liquids terminal and pipeline operator	Gives each employee 50 hours off a year to volunteer (98,000 hours in 2017 alone) and 100 percent employees donated to United Way (average contribution, $2,148. Hosts Four-Legged Friends Fairs for employees to adopt rescue animals.
SAP America, Inc.	Software	Autism at Work program, in twelve countries, assists people with autism spectrum disorder to enter its workforce (employs over 140 people with the condition). Raises money for autism research.

Stakeholder activism is another way in which the ethical policies, practices, and conduct of organizations are shaped. This is discussed next.

Stakeholder Activism

stakeholder activism
(in)actions to influence the leaders of an organization to change its strategies, policies, and practices

Stakeholder activism describes (in)actions to influence the leaders of an organization to change its strategies, policies, and practices. The most common and well-known form is shareholder activism, wherein investors attempt to influence a company's leadership by actually buying or selling its stock or threatening to do so. Activist investors commonly own a significant percentage of the total stock of a company, and this gives them particular rights, such as seats on the board of directors who oversee and help determine an organization's actions. Shareholder activists commonly seek to do one or more of the following:[30]

1. Corporate governance. Influence the organization's strategies, such as where to grow and how to grow.
2. Company mergers, acquisitions, and sales. Influence whether underperforming divisions are spun-off (sold), as doing this gives the activist an improved stock price in the original company, as well as stock in the new or spun-off company. They may also attempt to persuade the company to acquire a competitor.
3. Boost efficiency and profitability. Shareholder activists first, if not foremost or only, are interested in making more money. They, therefore, will typically encourage cost cutting and focus on products and services with higher margins.
4. Spend the company's money. Some companies generate and hold piles of cash. Apple, for instance, had approximately $200 billion on its balance sheet in the first half of 2020![31] Activist investors often seek to get companies to spend this money on acquisitions to boost future performance, or to pay it to shareholders in the form of dividends.

You may have heard of Carl Icahn or Bill Ackman, two legendary shareholder activists. Among Icahn's investment activities are Trans World Airlines (TWA), Take-Two Interactive (video games), Motorola, BEA Systems, and, more recently, Lyft, Xerox, Pep Boys, and Hertz.[32] Bill Ackman has established himself as someone company leaders, boards, and investors should listen to. He made billions betting against financial institutions in the financial crisis, but he also lost more than $1 billion in his campaign to tear down Herbalife, claiming it to be a pyramid scheme. Herbalife's stock recovered, and Ackman has since made piles of other money as an activist investor in Chipotle Mexican Grill and Starbucks, among others.[33]

Numerous other stakeholders act to influence other individuals and organizations. Consumer activism, for instance, occurs when customers either actively purchase or actively withhold purchases of an organization's products or services. To illustrate, in 2018, Nike selected Colin Kaepernick, former NFL quarterback, as a brand ambassador to signal support for his protest against police brutality of African Americans. Consumers did both, increased purchases in support and boycotted purchases in disapproval.

Boycotts also are a part of American history, as they were one impetus for the Revolutionary War. Colonists boycotted British tea in efforts to change what they perceived as unfair taxation (without representation). The colonists' efforts escalated when they dumped tea into the Boston Harbor.[34]

Employees have also become considerably more assertive in their efforts to influence their employers in recent years. A survey by public relations firm Weber Shandwick revealed that nearly 40 percent of the employees who responded spoke either for or against "their employers' actions over a controversial issue that affects society."[35] Table 2.3 outlines the activism of other stakeholders.

In the next section, you'll learn about the importance of considering the implications of conduct, policies, and practices over time, and how the element of time is foundational

table **2.3**

Examples of Stakeholder Activism

Stakeholder	Targets of Activism	Motivation for Activism	Description
Customers[36]	SoulCycle, Equinox, Home Depot, and L. L. Bean	Corporate ties to government figures who support policies affecting migration, the environment, and other issues	Boycotted products
Students in Hong Kong[37]	Chinese government	Extradition policies that would send citizens to Mainland China for prosecution	Boycotted first day of school
Employees[38]	Google's senior leadership	Contract with the Department of Defense to use the company's technology in war drones	Employee petition, protests on social media, and resignations
Nongovernmental organizations (e.g., National Center for Public Policy Research—think tank who promotes conservative political policies)[39]	Levi Strauss' senior leadership	Company's anti-gun policies	Research presented at shareholder meeting showing that the anti-gun position could hurt sales

to sustainable business ethics at all levels—individual, group and organizational, country, and societal.

What It Means to Be Sustainable

Sustainability is meeting current needs without compromising the ability of individuals and organizations to meet their future needs.[40] Again, sustainability is purposefully defined in terms of both individuals and organizations to reinforce the importance of personal and organizational responsibility. The other critical aspect of the definition is time, ensuring that actions today do not foreclose or limit opportunities tomorrow.

sustainability

meeting current needs without compromising the ability of individuals and organizations to meet their future needs

The Relationship between Sustainability, Social Responsibility, and Business Ethics

The terms sustainability, social responsibility (SR), and ethics are not synonymous. Consider ethics as an example. Ethics are contextual, meaning they depend on the norms or expectations of the people in a given situation, place, or organization. US auto manufacturers moved a significant portion of their production to Mexico, motivated by lower labor costs (allowing for more hours worked and less pay) and softer environmental regulations (pollution). The trend is a long and strong one, as evidenced by a nearly 10 percent increase between 2018 and 2019 alone, and nearly a 100 percent increase since 2011. One could argue that the auto companies were ethical or even socially responsible because they complied with Mexican labor and environmental standards. However, it would be difficult to make the case that this conduct was sustainable, as it likely compromised the environment if not also worker well-being (long hours, little time off, and poor wages). This story is not just about the US auto companies. Since 2011, Toyota and Honda have increased their Mexico production by 263 and 611 percent, respectively![41] The motives are the same, and so too are the implications for sustainability.

An additional way to help you differentiate sustainability, business ethics, and SR is to consider the effects of decisions, policies, and practices over time.

⟳ Ethics in Action

The (Un)Sustainability of Private Equity

Companies need money to compete, survive, and grow. One way to get money is to go public and sell small pieces or shares of ownership in the form of stock traded on public exchanges (e.g., the New York Stock Exchange—NYSE). Think of this as public equity. Another way is to sell the company to a private equity (PE) owner who effectively buys all of the stock.

In this scenario, it is common for the PE firm to put in a relatively small amount of its own money, borrow the rest, and then use it to purchase the target company; but there is a catch. The PE firm borrows the money, but the acquired company must pay it back—it is responsible for the debt used to purchase it. Among additional benefits, the PE firm gets seats on the board of directors and thus can influence strategy and operations, and it can also collect dividend-type fees from the acquired company. Then, the ultimate goal for most PE acquisitions is to take the company public and make a profit on its investment. All of this means that PE firms make a great deal of money in acquiring companies, and they do so with relatively little risk. But in the process, the companies they acquire can be financially handicapped.

J. Crew and Neiman Marcus are two retailers who were acquired by PE firms. They needed the funds to make the changes necessary to compete in today's fast-changing, intensely competitive retail sector. However, those large sums of borrowed money and the fees paid to the PE firms were very expensive and difficult to cover. And, like individuals, if a company can't pay its bills, then it often declares bank-ruptcy. This is what happened to J. Crew and Neiman Marcus. They owed $1.7 billion and $5 billion, respectively, and when sales went to near zero due to the COVID-19 pandemic, they had no means to make payments on their debt and filed for bankruptcy.

Many experts blame PE firms for these failures, and not just the retailers them-selves. One expert said, "Much of the difficulty that the retail sector is experienc-ing has been aggravated by private equity involvement." The companies borrowed piles of money that would have been difficult to pay back even if they executed their business plans effectively. As further evidence, "10 out of the (largest) 14 retail bankruptcies since 2012 involved companies that private equity firms had acquired." Moreover, opponents argue that the amount of debt and the associated fees charged by PE firms makes it highly unlikely that companies can succeed.

For Discussion:

1. Describe the PE–retail relationship in terms of sustainability.
2. Where do you place the blame for these bankruptcies, considering again how many are also linked to PE investors?
3. What would you do as a PE investor if approached by a retail company? There is a lot of money to be made, but many of the companies ultimately fail.

Sustainability Is About Time

For a moment, put aside our discussion of business ethics, the environment, and SR. If you think of sustainability apart from these, then it makes perfect sense to conclude if something is sustain-able, then it is successful or effective over time. That is how you should think about sustainabil-ity. You can ask yourself the following questions when confronted with a decision or problem:

- If I do *this*, will it enable me to do the same thing as well or better in the future?
- Will my decision allow others (i.e., relevant stakeholders) to do the same or better in the future?

This same thinking applies to socially responsible individuals (you) and organizations (your employers, other businesses, governments, and their leaders). For instance, assume a food bank in your community received donations only one time—that is, each donor gave money only once. Most people would agree that each donation is indeed socially responsible and philanthropic as shown in Figure 2.1, but it certainly is not sustainable. The food bank either needs to find an endless number of unique donors (impossible) or get some number of donors to contribute regularly.

At an individual level, this same example applies. Assume you donated to a charity one time. Your donation is responsible but not a sustainable effort on your part if it is given only once.

Sustainability and Your Career

Let's conclude the chapter by helping you apply sustainability to your career. But first, remember that applying the Three-Dimensional Problem-Solving for Ethics (3D PSE) has sustainability and SR built in, which means it is a valuable tool to assist you in your career. Be sure to apply it to the end of chapter cases, and other exercises throughout the course, to build this critical skill.

Take Your Jobs Two at a Time.   One extremely useful way to build sustainability into your career is to consider your approach to selecting jobs.

First, think of yourself as a share of stock whose value changes over time. Your goal is to approach your job choices in terms of how they will boost your value in the job market. In other

⟳ Ethics in Action

You Can Count on Our Support—Today, Tomorrow, Always

At the organizational level, Home Depot and Lowes provide excellent examples of SR and sustainability. They are well known for providing extensive support for both employees and communities affected by hurricanes. They commonly provide continued paychecks for displaced workers whose stores are closed. They not only stock functioning stores with necessary supplies in advance of storms to help citizens guard against the destruction, but they also establish command centers to help coordinate relief and recovery afterward. Moreover, these companies also send employees from other regions to help in the effort. These practices are clearly socially responsible on many levels, and they are sustainable too because both employees and citizens know that these companies will be there supporting them in their time of need.[42]

For Discussion:

1. Which forms of social responsibility are practiced by Home Depot and Lowes?
2. What is it that makes these practices sustainable?
3. Assume that Home Depot helped only one store, in one city, for one hurricane. Discuss the likely implications for the perceptions of social responsibility, and then the sustainability of its hurricane protection and relief efforts.

words, for any job you consider, think of how it will increase (or not) your value from the perspective of the hiring manager for your next job. This is what is meant by taking jobs two at a time.

To elaborate, most often, you are simply looking for a job. You want or need a job, and you do the "best" you can with the available opportunities. Of course, there is nothing wrong with this approach; after all, you have to eat. Instead, the recommendation is to be more strategic in your job search and selection to increase the number and attractiveness of your opportunities over time (i.e., your career).

Many if not most times throughout your career you see a given job as a stepping-stone to another opportunity within the same company, such as a promotion. Other times a given job is attractive because you believe it will provide you with skills and experience other employers will find attractive (opportunities in another company), or those needed to start your own business. Whatever is the case, in your mind, you often already think of two jobs at once—the one you're interviewing for and the opportunities that job will help create. Taking such an approach consciously will help you to be more successful over time, and thus more sustainable.

Follow Your Passion or Start with Sustainability.   Fewer than half of all college graduates have a clear sense of what they will do after graduation, and research shows that only 27 percent take first jobs related to their majors.[43] But, if you are one of these fortunate individuals with a clear path, great, take it! For the rest, you are encouraged to follow the checklist and steps in Table 2.4 to assist your job search efforts, all to help your career to be sustainable—fulfilling and successful over time. There is no magic in this, but this advice has benefited numerous students for over twenty years, and many have found it immensely helpful.

table **2.4**

Job Search and Sustainable Careers Checklist

Completed Y/N	Steps	Objective	Description
	Step 1	Determine Your Geographic Preferences	Where do you most want to live, followed by a list of places you would live, and those you would not. Great job, undesirable location, less than ideal. Great location, less than desirable job might be more tolerable.
	Step 2	Identify Best Places to Work lists	You of course can use *Fortune Magazine's* annual list, as those companies nearly always have offices in multiple cities (and countries). Large metro area newspapers and other periodicals often generate a similar list for companies in the area.
	Step 3	Learn which Industries are Growing	Growth usually means future opportunities. I'm from southeast Michigan where the auto industry was the major employer for generations, but during my entire life, those companies and industry have been shrinking. This does not mean you should not pursue a job or career in the automotive industry. However, if you do not have an industry-specific passion or interest, then you are well-served to look at industries that are growing.
	Step 4	Look for Jobs in these Growing Industries	The intention here is sustainability, finding a job, another job, and a career in a growing versus shrinking industry is more likely to present you with (attractive) opportunities over time.
	Step 5	Healthcare?	If none of the above generates desirable options, consider the healthcare industry. Besides being one of the three largest in the US (government and education are the other two), it contains jobs representing almost every major and interest—marketing, operations, talent management, strategy, finance, and accounting. Moreover, until COVID-19, it was quite rare for the industry to shrink, which meant that historically it was more resistant to downturns in the economy than many others.

Hopefully, you now have a clearer sense of what is involved in business ethics, such as benefits not only to organizations but also to you and your career. You should also appreciate the importance of considering a broad array of stakeholders and how they can be influenced by and, in turn, how they can influence ethical conduct. Finally, you should now have a clearer and more precise understanding of what it means to be socially responsible, and how considering the implications of behavior, policies, and practices over time is what it means to be sustainable.

Chapter Summary

1. Ethical decision making has a long history based in philosophy and includes the following common perspectives—teleology, utilitarianism, egoism, deontology, universalism, and virtue. These perspectives focus on outcomes, rules or norms, and traits of the individual independent of the context, respectively.
2. All of these perspectives contrast with ethical relativism, which is based on the premise that matters of right and wrong are dependent on the given situation.
3. Social responsibility is fundamentally about maximizing positive outcomes while minimizing negative outcomes for stakeholders. Both individuals and organizations can be socially responsible.
4. Corporate social responsibility has four levels—economic, legal, ethical, and philanthropic. Knowledge of these levels can help you identify potential employers who fit with your values, as well as companies with whom you want to do business.
5. Boards of directors are the central means for corporate governance, and they determine which stakeholders' interests are prioritized (e.g., shareholders or customers).
6. Stakeholder activism occurs when a particular stakeholder group asserts influence over an organization to change its strategies, policies, and practices. Activism has increased from shareholders, employees, and customers in the past several years, resulting in numerous changes in both large and small companies.
7. Sustainability is complex and has many applications. Fundamentally, it is about ensuring your or an organization's conduct today does not impede the opportunities of others in the future. Sustainability can also be applied to your career.

Key Terms

boards of directors 38
categorical imperative 31
corporate governance 38
deontologists 31
egoists 30
Golden Rule 31
impact philanthropy 36

relativistic approach 33
shareholder model of
  governance 38
social responsibility 35
stakeholder activism 40
stakeholder model of
  governance 38

sustainability 41
teleological ethics 28
universalism 31
utilitarianism 29
virtue ethics 32
virtues 32

CASE STUDY: Dick's Sporting Goods Stops Carrying Guns

More than 180—that is the number of school shootings since 2009, and more than 356 people have died as a result. The tragedy at Stoneman Douglas High School in Parkland, Florida, motivated Ed Stack to act. Mr. Stack is the CEO of Dick's Sporting

Goods (it also owns Field & Stream and Golf Galaxy), a business founded by his father from whom he bought it in 1984. Since then, Stack took the company public in 2002, and over the years he's cultivated Dick's into a thriving business and the largest sporting goods company in America.[44] Like the students of Stoneman, Stack also felt "enough is enough," and two weeks later the company stopped selling guns to people under 21, along with removing assault rifles and high-capacity magazines from its stores, but not all guns and ammo.[45] This, however, is just part of the history. The company briefly stopped selling assault rifles back in 2012, reacting to the Sandy Hook shooting, but customer complaints caused the company to relent and eventually sell them again.[46]

The Proverbial Straw

This time was indeed different. After pulling guns from the shelves, Dick's destroyed them, over $5 million worth, stating the company did not want their inventory to end up being sold by someone else. Dick's did not immediately remove all guns from all stores, but instead they rolled the initiative out over time as an ongoing strategic initiative.

When asked to explain his actions, Mr. Stack said, "If you see a problem and you have expertise on the problem, and you have a sense of the solution, you should stand up and say something and that's what we did."[47]

Costs and Resistance

These actions have had costs. After one year with the limits in place, store sales declined 3.1 percent ($250 million), approximately the amount of lost gun sales in 2018–2019. After Mr. Stack aligned himself with gun-control activists, others lashed back, such as other gun sellers, gun buyers, and employees of gun manufacturers.[48]

Some of Dick's employees objected too—sixty-two resigned explicitly for this reason (it employs nearly 45,000). And Mr. Stack received personal threats.

Not surprisingly, the National Rifle Association (NRA) objected, along with some (non) customers based on perceived infringements on the Second Amendment right to bear arms. This was expected by Stack, and others, and the impact is difficult to assess.

Responsibility Is Contagious

Numerous other companies changed practices and took actions, similar to those of Dick's. Delta Airlines and MetLife stopped providing discounts to NRA members, and Citigroup and Bank of America implemented new compliance policies for their clients in the gun industry. Several pension funds also requested greater transparency and safety measures from the gun companies in which they invest.[49]

Walmart was and is the largest seller of guns in America. Its initial response to Parkland was similar to that of Dick's; they stopped selling to people under 21. Employees took up the issue again when twenty-two people were killed in a shooting at an El Paso, Texas, store. They publicly protested and threatened to walk off the job, all in the effort to influence executives to change company policies and to stop selling guns and participate in buy-back programs (cash for guns). Walmart leaders did not yield, and the company continues to sell guns as it did before. However, it stopped selling handguns long ago, and discontinued selling some sporting rifles in 2015.[50]

Skeptics

Some say Dick's is really just following industry trends and market realities, rather than rallying for social change. For instance, interest in hunting and thus sales of guns and related products have been on the decline for many years.[51]

Stack, however, is undaunted. In March 2020, he announced plans to accelerate the removal of guns from over 400 additional stores. The company's stock surged 13 percent on the news.[52]

For Discussion: (Note: Although this case happens within the context of a much larger gun control debate in America, our focus here is on business ethics and thus the behaviors, policies, and practices of people engaged in business. Put differently, this is not intended to spur discussion on the Second Amendment, but instead on the concepts presented in this chapter as they relate to the decisions by the CEO of Dick's Sporting Goods, and the resulting impact and reactions of various stakeholders.)

1. What ethical decision-making perspective did Ed Stack seem to use (recall from chapter 2)?
2. Describe the level of social responsibility demonstrated by Ed Stack.
3. Which stakeholders were primary in this case? Which were secondary?
4. Which of the common decision-making perspectives is illustrated by Ed Stack in this case? Explain.
5. Describe the implications of Stack's actions on employees of Dick's.
6. Assume you are the CEO of Dick's, how would your actions differ from those of Ed Stack? Describe and justify.
7. Again, assume you are the CEO, what type of stakeholder activism could influence you to change policies and begin selling guns again? Explain and justify.

Apply Three-Dimensional Problem-Solving for Ethics (3D PSE)

You can apply the Three-Dimensional Problem-Solving for Ethics (3D PSE) from multiple perspectives—Ed Stack the CEO, a shareholder, an employee, family member of a shooting victim, or an average citizen. Just be sure to specify whose perspective you have applied. That said, try analyzing it as if you were Ed Stack, as he has and will continue to determine the gun-related practices of the Dick's Sporting Goods.

figure **2.2**

Three-Dimensional Problem-Solving for Ethics (3D PSE)
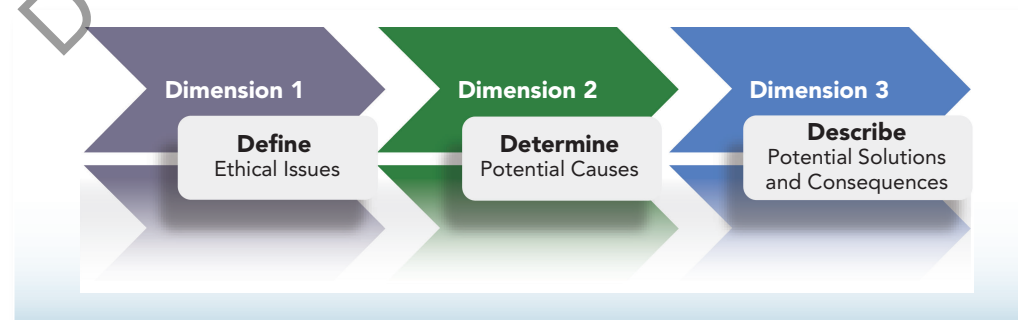
Dimension 1: *Define* the Ethical Challenge

What is the gap in the case? What does Stack have and what does he want? (Remember, use only details included within the case for your analysis.)

a. From Stack's view as CEO, describe what he had versus how he wanted it to be.
b. Why is the current situation a problem? What difficulties or undesirable behaviors and outcomes happen as a result of the problem you defined? From Stack's perspective, why would he care about the problem you defined in Dimension 1?
c. Define your problem in one or at most two sentences, and structure it in terms of what is current versus what is desired.
d. Who are the key stakeholders, those that affect or are affected by the problem you defined?

Dimension 2: *Determine* the Causes

a. **Individuals.** Given the problem you defined in Dimension 1, describe how any individuals caused the problem as you defined it in Dimension 1. Individuals may not be causes, but you should consider whether there are any or not. If yes, then describe how their personal behaviors or characteristics contributed to the problem.
b. **Contextual.** What behaviors, policies, and practices caused the problem defined in Dimension 1? These elements may be within Dick's, the retail industry, government, or they may reside with other organizations or stakeholder groups.

Dimension 3: *Describe* Your Potential Solutions and the Intended and Unintended Consequences for Stakeholders

For each cause you identified in Dimension 2, answer the following question:

a. From the perspective of Ed Stack, and then other stakeholders, *what* do you recommend he should do, and *how* would you make it happen?
b. *Why?* Explain your motives, along with considering if it reflects a particular ethical decision-making perspective (e.g., utilitarian or universal).

If your responses to these questions are unsatisfactory, then go back to Dimension 1 and repeat the process. If, however, you are comfortable and confident in your problem-solving efforts thus far, then ensure you achieve the desired outcomes and avoid any unintended consequences.

c. Describe the *desired and likely effects in the short and long-term* for the key stakeholders involved in the problem and causes (Dimensions 1 and 2).
d. What *potential unintended consequences* may occur with your proposed solution for each of the relevant stakeholders?
e. If any, what are the **implications for *other* stakeholders** (e.g., individuals, organizations, and communities) besides those noted in Dimensions 1 and 2?
f. Will your solution work in an ethical manner? Make a final assessment of whether your chosen solution will reduce or eliminate the causes determined in Dimension 2, and whether this will remedy the ethical problem defined in Dimension 1. If not, then repeat and refine the dimensions.

Chapter Opener Photo Source: Anatoli Styf/Shutterstock