

# Corporate Responsibility in the Twenty-First Century

Understanding Canadian Business 7<sup>th</sup> Edition

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- Strategic Approach – requires that management primary orientation to toward the economic interests of shareholders. The rationale is this: as owners, shareholder have the right to expect management to work in their best interests; that is to optimize profits.

# The Pluralist Approach

- This approach recognizes the special responsibility of management to optimize profits, but not at the expense of employees, suppliers, and members of the community.

# Responsibility to Customers

- One responsibility of business is to satisfy customers by offering them good and services of real value.
- The payoff for socially conscious behaviour could result in new business as customers switch from rival companies simply because they admire the company's social efforts – a powerful competitive edge.

# Responsibility to Investors

- Some people believe that before you can do good, you must do well. What we do know is that ethical behavior is good for shareholder wealth.
- Eg Nortel
- Bernard Madoff is serving 150 year sentence after admitting he squandered tens of billions of dollars in investor's money.

# Insider Trading

- Involves insiders using private company information to further their own fortunes or those of their family and friends.

# Responsibility to Employees

- They have a responsibility to create jobs if they want to grow. It has an obligation to ensure that hard work and talent are fairly rewarded.
- If a company treats employees with respect, they usually will respect the company as well.
- When employees feel they've been treated unfairly, they often strike back.
- Canadian retailers alone are relieved of approximately \$8 million of merchandise every day, with employees out stealing the shoplifters.

# Responsibility to Society

- One of business's responsibilities to society is to create new wealth, which is disbursed to employees, suppliers, shareholders and other stakeholders.
- Businesses are also partially responsible for promoting social justice.



# Responsibility to the Environment

- Businesses are often criticized for their role in destroying the environments.
- 500 ducks died in oil sands tailing pond
- Sydney Tar Ponds

# Social Auditing

- A Social Audit is a systematic evaluation of an organization's progress toward implementing programs that are socially responsible and responsive.
- Triple –bottom line (TBL, 3BL or People, Planet , Profit) is a framework for measuring and reporting corporate performance against economic, social and environmental parameters.

# Four watchdog groups:

- Socially conscious investors – who insist that a company extend its own high standards to all its suppliers . Eg Nike
- Environmentalists – who apply pressure by naming names of companies that don't abide by the environmentalists standards
- Union officials – who hunt down violations and force companies to comply to avoid negative publicity
- Customers – who take their business elsewhere if a company demonstrates unethical or socially irresponsible practices.

# Sustainable Development

- Implementing a process that integrates environmental, economic, and social considerations into decision making.
- Examples Loblaws and Sobeys – try to eliminate plastic bags at their checkout counters. 5 cent charge.