CHAPTER 2
HUMAN RESOURCES: SOCIAL RESPONSIBILITY AND BUSINESS ETHICS
CHAPTER DESCRIPTION

We begin this chapter by examining whether or not there has been a changing attitude towards social responsibility and business ethics. Then we describe the concept of corporate social responsibility and explain the attempts to legislate social responsibility. This is followed by an explanation of what is meant by stakeholder analysis and the social contact. Next, we describe how a corporate social responsibility program is implemented. This is followed by the presentation of a model of ethics and a presentation of human resource ethics. We then stress the importance of a code of ethics and describe ethics and the HR manager. Finally, we describe the professionalization of human resource management.

KEY TERMS

Corporate social responsibility (CSR): The implied, enforced, or felt obligation of managers, acting in their official capacity, to serve or protect the interests of groups other than themselves. It is how a company as a whole behaves towards society.

Organizational stakeholder: An individual or group whose interests are affected by organizational activities.

Social contract: The set of written and unwritten rules and assumptions about acceptable interrelationships among the various elements of society.

Social audit: A systematic assessment of a company's activities in terms of its social impact.

Ethics: The discipline dealing with what is good and bad, or right and wrong, or with moral duty and obligation.

Type I ethics: The strength of the relationship between what an individual or an organization believes to be moral and correct and what available sources of guidance suggest is morally correct.

Type II ethics: The strength of the relationship between what one believes and how one behaves.

Human resource ethics: The application of ethical principles to human resource relationships and activities.

Profession: A vocation characterized by the existence of a common body of knowledge and a procedure for certifying members of the profession.

CHANGING ATTITUDES TOWARDS SOCIAL RESPONSIBILITY AND BUSINESS ETHICS
In order to meet the expectations of society, future managers will need to be more socially responsible. Most of the 500 largest corporations in the U.S. now have a code of ethics.

CORPORATE SOCIAL RESPONSIBILITY
Corporate social responsibility (CSR) is the implied, enforced, or felt obligation of managers, acting in their official capacity, to serve or protect the interests of groups other than themselves.

LEGISLATING ETHICS AND SOCIAL RESPONSIBILITY

PROCUREMENT INTEGRITY ACT—The Procurement Integrity Act of 1988 was passed after reports of military contracts for $500 toilet seats.

FEDERAL SENTENCING GUIDELINES FOR ORGANIZATIONS—The Federal Sentencing Guidelines for Organizations (FSGO) outlined an effective ethics program.

CORPORATE AND AUDITING ACCOUNTABILITY, RESPONSIBILITY AND TRANSPARENCY ACT—Known as the Sarbanes Oxley Act, the primary focus of the Act is to redress accounting and financial reporting abuses in light of recent corporate scandals.

STAKEHOLDER ANALYSIS AND THE SOCIAL CONTRACT
Most organizations have a large number of stakeholders.

ORGANIZATIONAL STAKEHOLDER—An individual or group whose interests are affected by organizational activities.

SOCIAL CONTRACT—The set of written and unwritten rules and assumptions about acceptable interrelationships among the various elements of society.

OBLIGATIONS TO INDIVIDUALS—Organizations have certain obligations to their employees.

OBLIGATIONS TO OTHER ORGANIZATIONS—Managers must be concerned with relationships involving other organizations--both organizations that are like their own, such as competitors, and very different ones.

OBLIGATIONS TO GOVERNMENT—Government is an important party to the social contract for every kind of organization.

OBLIGATIONS TO SOCIETY IN GENERAL—Businesses operate by public consent with the basic purpose of satisfying the needs of society.

SOCIAL AUDIT
A systematic assessment of a company's activities in terms of its social impact.

STEPS FOR ESTABLISHING AND IMPLEMENTING A CORPORATE SOCIAL RESPONSIBILITY (CSR) PROGRAM

A PERSON SHOULD BE ASSIGNED THE RESPONSIBILITY FOR THE PROGRAM AND A STRUCTURE SHOULD BE DEVELOPED

A REVIEW OF WHAT THE COMPANY IS PRESENTLY DOING WITH REGARD TO CSR SHOULD BE DETERMINED

SHAREHOLDERS' EXPECTATIONS AND PERSPECTIVES ARE DETERMINED

A POLICY STATEMENT IS WRITTEN COVERING CSR AREAS SUCH AS ENVIRONMENTAL, SOCIAL AND COMMUNITY ISSUES

A SET OF CORPORATE OBJECTIVES AND AN ACTION PLAN TO IMPLEMENT THE POLICIES SHOULD BE DEVELOPED

COMPANY-WIDE QUANTITATIVE AND QUALITATIVE TARGETS AND KEY PERFORMANCE INDICATORS OVER A TWO- TO FIVE-YEAR PERIOD, TOGETHER WITH THE NECESSARY MEASUREMENT, MONITORING AND AUDITING MECHANISMS SHOULD BE CREATED

COMMUNICATE TO STAKEHOLDERS AND FUND MANAGERS THE DIRECTION OF CSR WITH THIS COMPANY

THE PROGRESS OF THE CSR PROGRAM SHOULD BE DETERMINED

THE PROGRESS OF THE CSR PROGRAM SHOULD BE REPORTED

A MODEL OF ETHICS

The discipline dealing with what is good and bad, or right and wrong, or with moral duty and obligation.

SOURCES OF ETHICAL GUIDANCE—One might use a number of sources to determine what is right or wrong, good or bad, moral or immoral.

TYPE I ETHICS—The strength of the relationship between what an individual or an organization believes to be moral and correct and what available sources of guidance suggest is morally correct.

TYPE II ETHICS—The strength of the relationship between what one believes and how one behaves.

HUMAN RESOURCE ETHICS

Human resource ethics is the application of ethical principles to human resource relationships and activities.

A CODE OF ETHICS

Most companies have codes of ethics.

ETHICS AND THE HR MANAGER

The two major areas where HR professionals can have a major impact on ethics and therefore corporate culture are corporate governance and executive compensation.

PROFESSIONALIZATION OF HUMAN RESOURCE MANAGEMENT

A *profession* is a vocation characterized by the existence of a common body of knowledge and a procedure for certifying members of the profession.

SOCIETY FOR HUMAN RESOURCE MANAGEMENT—The largest national professional organization for individuals involved in all areas of human resource management.

HUMAN RESOURCE CERTIFICATION INSTITUTE (HRCI)—HRCI's goal is to recognize

human resource professionals through a certification program.

AMERICAN SOCIETY FOR TRAINING AND DEVELOPMENT—The American Society for Training and Development (ASTD) has grown to become the largest specialized professional organization in human resources.

WORLDATWORK—This organization consists of managerial and human resource professionals who are responsible for the establishment, execution, administration, or application of compensation practices and policies in their organizations.