


STRATEGY Core Concepts and Analytical Approaches
Arthur A. Thompson
The University of Alabama
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CHAPTER 9
Strategy, Ethics, and Social Responsibility



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“Corporations are economic entities, to be sure, but they are also social institutions that must justify their existence by their overall contribution to society.”

Henry Mintzberg, Robert Simons, and Kunal Basu, professors

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We don't think of ourselves as do-gooders or altruists. It's just that somehow we're trying our best to be run with some sense of moral compass.....

Craig Newmark, founder of Craigslist

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The time is always right to do what is right.

Martin Luther King, Jr., Civil rights activist and humanitarian

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“It takes many good deeds to build a good reputation and only one bad one to lose it.”

Benjamin Franklin

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“But I'd shut my eyes in the sentry box so I didn't see nothing wrong.”

Rudyard Kipling

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Chapter Learning Objectives

1. Understand where ethical standards come from.
2. Learn what drives companies to sometimes pursue unethical strategies and businesspeople to sometimes engage in unethical conduct.
3. Thoughtfully consider whether and why company strategies should be ethical and whether it is important for company personnel to display high ethical standards in conducting the company's business.
4. Become familiar with the concepts of corporate social responsibility, corporate citizenship, and environmental sustainability.
5. Decide whether and why businesses should have a social responsibility strategy, display good corporate citizenship, and adopt environmentally sustainable business practices.

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Chapter 9 Roadmap

- What Do We Mean by Business Ethics?
- Where Do Ethical Standards Come From—Are They Universal or Dependent on Local Norms?
- The Three Categories of Management Morality
- Drivers of Unethical Strategies and Business Behavior
- Why Should Company Strategies Be Ethical?
- Strategy, Social Responsibility and Corporate Citizenship

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What Duties Do Firms Have Beyond Delivering Value to Customers and Shareholders?

- In the course of trying to craft and execute a strategy that delivers value to both customers and shareholders, it is well-accepted that a company and its personnel will be held accountable for obeying the law and complying with governmental regulations.
- But does a firm also have a **duty**:
 - ▶ **Act in an ethical manner** and hold all company personnel to high ethical standards?
 - ▶ **Be a committed corporate citizen** and allocate some of its resources to improving the well-being of employees, the communities in which it operates, and society as a whole?
 - ▶ **Do more than what is legally required** in trying to protect the environment, conserve natural resources for use by future generations, and ensure its operations do not ultimately endanger the planet?

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What Do We Mean by Business Ethics?

- **Business ethics** is the application of general ethical principles and standards to the actions and decisions of business organizations and the conduct of their personnel
- **Ethical principles in business are not materially different from ethical principles in general**
- **The actions of businesses and businesspeople are judged by society's standards of what is ethically right and wrong, not by a special set of rules that apply to business conduct**
 - ▶ If society deems dishonesty to be unethical and immoral, then dishonest behavior in business is unethical
 - ▶ If society deems bribery unethical, then it is unethical for company personnel to offer payoffs or kickbacks to obtain sales or other favors

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Core Concept

Business ethics deals with the application of general ethical principles and standards to the actions and decisions of businesses and the conduct of their personnel.

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Where Do Ethical Standards Come From?

There are three **schools of thought** regarding how ethical standards are determined:

Ethical Universalism

Ethical Relativism

Integrative Social Contracts Theory

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The School of Ethical Universalism

- Maintains that the most important concepts of what is right and what is wrong are **universal** and transcend most cultures, societies, and religions
 - ▶ Being truthful (or not lying or not being deliberately deceitful) strikes a chord of what's right in peoples of all nations
 - ▶ The same is true for demonstrating integrity of character, not cheating, and treating people with courtesy and respect
 - ▶ People concur that it is unethical to knowingly expose workers to toxic chemicals and hazardous materials or to sell products known to be unsafe or harmful to the users or to pillage or degrade the environment

Common moral agreement about right and wrong actions and behaviors across multiple cultures and countries gives rise to universal ethical standards that apply to all members of all societies, all companies, and all businesspeople worldwide.

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Core Concept

According to the school of **ethical universalism**, common moral agreement about right and wrong actions and behaviors across multiple cultures and countries gives rise to universal ethical standards that apply to the members of all societies, all companies, and all businesspeople.

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Examples of Universal Ethical Principles or Norms

- Being honest and telling the truth
- Being trustworthy
- Respecting rights of others
- Practicing the Golden Rule
 - ▶ Treating people with dignity and respect
- Exercising due diligence in product safety
- Acting in a manner that does not
 - ▶ Harm others or put them at risk (as concerns safety)
 - ▶ Unreasonably endanger the environment

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Why the Ethical Universalism Approach to Establishing Ethical Standards Has Merit

- The strength of the ethical universalism approach to establishing ethical standards is that it **draws upon the collective views of multiple societies and cultures** to put clear boundaries on what constitutes ethical and unethical business behavior, irrespective of the country or culture in which a firm's personnel are conducting activities.
- This is particularly beneficial to a **multinational firm** because when basic moral standards do not vary significantly from country to country, it can:
 - ▶ Apply a single code of ethics across its worldwide operations
 - ▶ Avoid the slippery slope that comes from having different ethical standards for different company personnel depending on where in the world they are working

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The School of Ethical Relativism

According to the **school of ethical relativism**:

- While there are a few universal moral prescriptions—like being truthful and trustworthy—that apply in most every society and business circumstance, *there are meaningful variations in what societies generally agree to be fair or unfair, moral or immoral, and ethically right or wrong.*
- Such variations stem from differing religious beliefs, historic traditions and customs, core values and beliefs, and behavioral norms across countries and cultures
- It is appropriate for each society or culture to rely upon its own religious beliefs, historic traditions and customs, core values and beliefs, and behavioral norms to establish its own set of ethical standards—*what outsiders think is ethically right or wrong does not overrule local standards*

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The Implications of Ethical Relativism

If one accepts the thesis of the school of ethical relativism that each society or culture can rightfully determine its own definitions of what is ethically right or wrong, then

- **Ethical standards are not absolute or universal—no “one-size-fits-all” set of ethical standards exists**
- Ethical standards are appropriately grounded in the religious beliefs, historic traditions and customs, core values and beliefs, and behavioral norms prevailing within each society or culture
- **One society's set of ethical standards is just as valid as another society's ethical standards—in other words, ethical standards are relative and subject to each society's own judgment**
- **Within each society/culture, local ethical standards govern what is ethically right or wrong**

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Core Concept

The *school of ethical relativism* maintains that differing religious beliefs, historic traditions and customs, core values and beliefs, and behavioral norms across countries and cultures give rise to **multiple sets of standards concerning what is ethically right or wrong.**

As a consequence, whether certain business-related actions or behaviors are ethically right or wrong varies from country-to-country, depending on whatever local ethical standards prevail.

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Ethical Relativism and the Use of Underage Labor

- According to the principle of ethical relativism, whether the use of underage labor in hazardous or nonhazardous jobs is ethically right or wrong depends on what country one is in.
 - ▶ In industrialized nations, the use of "underage" workers is considered unethical and is forbidden by law, most especially if some of the job activities are hazardous.
 - ▶ However, in some countries, it is customary to view children as potential, even necessary, workers.
 - ▶ Underage children are a part of the workforce in a number of the countries of the world, and in some countries underage children are employed in jobs with hazardous aspects.
- **But is what prevails as local morality always an adequate or appropriate guide for setting ethical standards?**
 - ▶ How can one convincingly maintain that it should be ethically permissible for a firm to hire young children for jobs (which may have hazardous aspects) in some countries but not others?

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Ethical Relativism: Should It Govern the Use of Underage Labor?

- Given that the use of "underage" workers for hazardous work is **illegal** and also deemed unethical in some countries but is legal and deemed ethical in a number of countries:
 - ▶ Should ethical relativism prevail in allowing the use of underage labor for nonhazardous jobs where it is customary and socially acceptable?
 - ▶ Should the ethical standard for using underage labor be based on ethical universalism or ethical relativism?

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Strategic Insight

Strict adherence to the principles of ethical relativism leads to the untenable conclusion that child labor is ethically impermissible in countries where it is contrary to local custom, but is ethically permissible in countries where the use of child labor is common practice.

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Ethical Relativism and the Payment of Bribes and Kickbacks

- Payment of bribes and kickbacks is normal and customary in some countries; in others such payments are illegal, as well as unethical
 - ▶ The Foreign Corrupt Practices Act prohibits U.S. firms from paying bribes anywhere they do business even if such payments are customary
- Firms with ethical codes forbidding payment of bribes face a formidable challenge where bribery is an entrenched local custom
 - ▶ Refusing to pay bribes or kickbacks in these countries often means losing sales to competitors willing to make such payments
 - ▶ But going along with the payment of bribes or kickbacks undercuts enforcement of and adherence to the firm's code of ethics

Should a firm observe ethical principles or wade into the moral quicksand of paying bribes to win sales?

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Questions to Consider

- Is a firm that deems it ethically permissible for its personnel to pay bribes and kickbacks in countries where such payments are customary but ethically impermissible to make such payments elsewhere **abdicated responsibility for setting the ethical standards that all of the firm's personnel are expected to observe** regarding the payment of bribes and kickbacks?
- Is a multinational company that simply tells personnel to observe whatever ethical standards prevail in the countries locations where they work strongly or weakly committed to enforcing high standards of ethical behavior among its employees?

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Using the Principle of Ethical Relativism to Create Ethical Standards Is Problematic for Multinational Firms

When a firm's ethical standards vary from country to country, the clear message being sent to employees is that the firm has no ethical standards or convictions of its own and prefers to let its standards of ethically right and wrong be governed by the customs and practices of the countries in which it operates. But is it a defensible practice for a multinational company to:

- ▶ Condone the payment of bribes/kickbacks in some countries but not others?
- ▶ Relax worker safety standards in some countries but not others?
- ▶ Tolerate greater environmental pollution by company plants in some countries than in others?
- ▶ Source products from foreign manufacturers known to employ child labor?

Applying multiple sets of ethical standards without a higher-order moral compass undercuts the enforcement of high standards of ethical behavior.

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Strategic Insight

Managers in multinational enterprises have to figure out how to navigate the gray zone that arises when their company operates in two or more countries or cultures with differing customs and ethical standards. Having multiple standards that vary by locale is equivalent to having no standard.

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Integrative Social Contracts Theory

- Takes a **middle position** between the schools of ethical universalism and ethical relativism
- Maintains that ethical standards are governed:
 - ▶ **First** by a limited number of universal ethical principles widely recognized as legitimately putting boundaries on actions and behavior in **all** situations and
 - ▶ **Second** by the circumstances of local cultures, traditions, and shared values that further prescribe ethically permissible behaviors in a given locality but do not conflict with universal principles
 - ▶ **However, in the event of conflict, universal ethical standards must always take precedence over locally acceptable ethical behaviors**

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Core Concept

According to **integrated social contracts theory**, universal ethical principles or norms based on the collective views of multiple cultures and societies combine to form a "social contract" that **all individuals, groups, organizations, and businesses in all situations have a duty to observe**.

So long as the boundaries of this social contract are observed, there is legitimate room for local cultures or groups to prescribe what other actions may or may not be ethically permissible. However, according to integrated social contracts theory, **adherence to universal or "first-order" ethical norms must always take precedence over local or "second-order" norms**.

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Why Relying on Integrated Social Contracts Theory Has Appeal

- Integrated social contracts theory incorporates the **best parts** of ethical universalism and ethical relativism
 - ▶ It is indisputable that cultural differences impact how business is conducted in various parts of the world and that these cultural differences sometimes give rise to different ethical norms.
 - ▶ But it is just as indisputable that **some ethical norms are more authentic or universally applicable than others**, meaning that in many instances of cross-country differences **one side may be more "morally or ethically correct" or "more right" than another**.
 - ▶ In instances where universal and local ethical norms are in **conflict**, integrated social contracts theory maintains that complying with universal ethical norms takes precedence—the **obligation to observe universal or "first-order" ethical norms outranks the permission to observe local or "second-order" ethical norms should there be conflict between the first-order and second-order ethical norms**.

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The Three Categories of Management Morality

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    graph LR
      A[Types of managers as concerns their ethical and moral principles] --> B[Managers that are moral]
      A --> C[Managers that are immoral]
      A --> D[Managers that are amoral]
    
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Traits of Moral Managers

- Are dedicated to high standards of ethical behavior in their own actions and in how the firm's business is conducted
- Are stewards of ethical behavior
- Believe it is important to pursue success in business within the confines of both the letter and the spirit of what is ethical and legal
- Regard complying with the law as an ethical minimum and have a habit of operating well above what the law requires as concerns ethics-related matters

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Traits of an Immoral Manager

- Has no regard for ethical standards in business
- Pays no attention to ethical principles in making decisions and conducting the firm's business
- Believes good people cannot spend time watching out for others and agonizing over "the right thing to do"
- Thinks nice guys come in second and that in the business world you either trample on others or get trampled yourself
 - ▶ What really matters is single-minded pursuit of one's own best interests
- Has few scruples, little or no integrity, and is willing to do most anything if unlikely to be caught
 - ▶ May even be willing to short-circuit legal and regulatory requirements

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Traits of an Amoral Manager

- Is of the strong opinion that businesses ought to be able to do whatever the prevailing laws and regulations allow them to do
 - ▶ If business actions and behaviors are legal and do not violate prevailing rules and regulations, then they should not be seen as unethical
- Views the observance of high ethical standards (doing more than what laws and regulations require) as too naive for the tough competitive world of business
 - ▶ However, often believes that observing higher ethical considerations may be appropriate in life outside of business
- Has a moral concept of right and wrong that is lawyer-driven:
 - ▶ "How much can we get by with?"
 - ▶ "What are the risks of going ahead if a particular action is borderline?"

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Strategic Insight

Amoral managers believe that businesses ought to be able to do whatever current laws and regulations allow them to do without being shackled by any ethical considerations. They think that what is permissible in business situations and what is not are governed entirely by prevailing laws and regulations, not by societal concepts of right and wrong.

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Questions for Simulation Company Co-Managers

- How would you characterize your company's management team?
 - ▶ Moral?
 - ▶ Immoral?
 - ▶ Amoral?
 - ▶ A mixed bag (we do not all think the same on this)?

Be honest!!!!
(Political correctness here is out of bounds!!!)

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Evidence of Managerial Immorality in the Global Business Community

- Evidence indicates **a sizable majority of managers are either amoral or immoral**
 - ▶ Ongoing research by Transparency International shows corruption among public officials and in business transactions is widespread across the world
 - ▶ The 2016 global average across 176 countries and territories was 43, below the midpoint of the scale of 0 (highly corrupt) to 100 (very clean).
 - ▶ Table 9.1 shows some of the countries where public corruption was perceived to be lowest and highest

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TABLE 9.1 Corruption Perceptions Index, Selected Countries, 2016
 (The CPI scores are based on a 100-point scale, where 100 = very clean and 0 = highly corrupt)

Country	2016 CPI Score	Country	2016 CPI Score	Country	2016 CPI Score
Denmark	90	Japan	72	Saudi Arabia	46
New Zealand	90	France	69	South Africa	45
Finland	89	Chile	56	Greece	44
Sweden	88	Israel	64	Turkey	41
Switzerland	86	Poland	62	India	40
Norway	85	Portugal	62	China	40
Singapore	84	Taiwan	61	Pakistan	32
Netherlands	83	Spain	58	Mexico	30
Canada	82	Czech Republic	55	Russia	29
Germany	81	South Korea	53	Iran	29
United Kingdom	81	Slovakia	51	Iraq	17
Australia	79	Croatia	49	Afghanistan	15
Hong Kong	77	Malaysia	49	Libya	14
United States	74	Hungary	48	Syria	13
Ireland	73	Italy	47	North Korea	12

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What Are the Drivers of Unethical Strategies and Business Behavior?

- Overzealous pursuit of wealth and other selfish interests
- Heavy pressures on company managers to meet or beat performance targets
- A company culture that puts profitability and good business performance ahead of ethical behavior

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Overzealous Pursuit of Wealth and Other Selfish Interests

- People obsessed with wealth accumulation, greed, power, status, and other selfish interests often
 - Push ethical principles aside in their quest for self gain
 - Exhibit few qualms in skirting the rules or doing whatever is necessary to achieve their goals
 - Engage in all kinds of unethical strategic maneuvers and behaviors

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Heavy Pressures on Company Managers to Meet or Beat Performance Targets

- Managers can feel enormous pressure **to do whatever it takes** to deliver good results
 - Often their compensation depends heavily on their company's performance
 - As the pressure builds, they start stretching the rules further and further, until the limits of ethical conduct are overlooked
- Once ethical boundaries are crossed in efforts to "meet or beat their numbers," making more extreme ethical compromises becomes easier

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Company Cultures that Put Bottom Line Ahead of Ethical Behavior

- In an ethically corrupt or amoral work climate, people have a company-approved license to
 - Ignore "what's right"
 - Engage in most any behavior or employ most any strategy they think they can get away with
- Pressures to conform to cultural norms can prompt otherwise honorable people to
 - Make ethical mistakes
 - Succumb to opportunities to engage in unethical practices

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Why Should Company Strategies Be Ethical?

- Two Reasons:
 - Because a strategy that is unethical in whole or in part **is morally wrong** and **reflects badly on the character of the company personnel** involved
 - Because **an ethical strategy is good business** and **in the self-interest of shareholders**

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The Moral Case for an Ethical Strategy

- The bottom line here is simple: Pursuing ethically principled strategic actions is morally correct and represents "the right thing to do," whereas undertaking unethical strategic actions is morally incorrect and "the wrong thing to do."
- It reflects well on a manager's character to insist that every strategic action be able to pass moral scrutiny, and it reflects badly on a manager's character to initiate or condone strategic actions that are shady and outside the boundaries of what qualifies as ethical.

Whether a company ends up pursuing an ethical or unethical strategy depends on the character of the managers making the decisions of which alternatives to pursue.

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Strategic Insight

The moral case for ethical strategy-making is predicated on the belief that crafting and pursuing a wholly ethical strategy is the only "right" or "morally correct" way to run a business; a strategy with unethical elements cannot withstand moral scrutiny and is therefore "wrong."

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The Business Case for Ethical Strategies

- Pursuit of unethical strategies and tolerance of unethical conduct
 - ▶ Is a risky practice from both a shareholder perspective and a reputational standpoint
 - ▶ Can incur large and burdensome costs when unethical behavior is discovered, wrongdoings of personnel are headlined in the media, and the firm is forced to make amends for its behavior
- The more egregious are a firm's ethical violations
 - ▶ The higher the costs of making amends and taking corrective actions
 - ▶ The greater the damage to its reputation and to the reputations of the company personnel involved
 - ▶ The more financial damage shareholders suffer in the form of lower earnings, dividends, and stock price

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Strategic Insight

Conducting business in an ethical fashion is in a firm's enlightened self-interest. While one can point to firms and individuals that have profited from unscrupulous behavior (because it went undetected or unpunished), *it is hard to argue convincingly that ethical misconduct pays off or that it is smart for business people to do whatever they think they can get away with.*

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FIGURE 9.1 The Costs Companies Incur When Ethical Wrongdoing Is Exposed to Public View

Visible costs	Internal administrative costs	Intangible or less visible costs
<ul style="list-style-type: none"> • Government fines and penalties • Civil penalties arising from class-action lawsuits and other litigation aimed at punishing the company for its offense and the harm done to others • The costs to shareholders in the form of a lower stock price (and possibly lower dividends) 	<ul style="list-style-type: none"> • Legal and investigative costs incurred by the company • The costs of providing remedial education and ethics training to company personnel • Costs of taking corrective actions • Administrative costs associated with ensuring future compliance 	<ul style="list-style-type: none"> • Customer defections • Loss of reputation • Lower employee morale and higher degrees of employee cynicism • Higher employee turnover • Higher recruiting costs and difficulty in attracting talented employees • Adverse effects on employee productivity • The costs of complying with often harsher government regulations

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Strategic Insight

Shareholders suffer major damage when a firm's unethical behavior is discovered and punished. Making amends for unethical business conduct is costly, and it takes years to rehabilitate a tarnished company reputation.

Shareholders suffer costly damage in the form of lower earnings, a lower stock price, and perhaps lower dividends when a firm's unethical behavior is discovered and punished.

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Connecting High Ethical Standards to the Task of Crafting and Executing Strategy

- Points to consider when a new strategic initiative or policy or operating practice is under review:
 - ▶ Is what we are proposing to do fully compliant with our code of ethics?
 - ▶ Is there any aspect of the strategy (or policy or operating practice) that gives the appearance of being ethically questionable?
 - ▶ Is there anything in the proposed action that customers, employees, suppliers, stockholders, competitors, community activists, regulators, or the media might consider as ethically objectionable?

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The Concepts of Social Responsibility and Good Corporate Citizenship

- The essence of socially responsible business behavior is that a firm should balance strategic actions to benefit shareholders against the **duty to be a good corporate citizen**
- A firm and its managers have a **duty to**
 - ▶ Display a **social conscience** in operating the business
 - ▶ Take into account how managerial decisions and the firm's actions affect the well-being of employees, customer, suppliers, local communities, the environment, and society at large.

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Core Concept

The notion of **social responsibility** as it applies to businesses concerns a firm's duty to operate honorably, provide good working conditions for employees, be a good steward of the environment, and actively work to better the quality of life in the local communities where it operates and in society at large.

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What Does Acting in a Socially Responsible Manner Entail?

- Socially responsible behavior and good corporate citizenship has five components:
 1. Striving to employ an ethical strategy and observe ethical principles in operating the business
 2. Making charitable contributions, supporting worthy organizational causes, participating in community service activities, helping to make a difference in the lives of the disadvantaged, and trying to better the quality of life in society at large
 3. Taking actions to protect or enhance the environment and, in particular, to minimize or eliminate any adverse impact on the environment stemming from the company's own business
 4. Creating a work environment that enhances employees' quality of life and makes the company a great place to work
 5. Building a workforce that is diverse with respect to gender, race, national origin, and other aspects that different people bring to the workplace

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Core Concept

A company's **social responsibility strategy** is defined by the specific combination of socially beneficial and community citizenship activities it opts to support with its contributions of time, money, and other resources.

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Environmental Sustainability Strategies: A New Priority

- A firm's **environmental sustainability strategy** entails deliberate actions to:
 - ▶ Protect and enhance the sustainability of natural resources and the environment
 - ▶ Maintain ecological support systems for future generations
 - ▶ Guard against ultimate endangerment of the planet

Achievement of such strategies enable a firm's operations to be *sustainable for decades and perhaps even centuries*

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Core Concept

A firm's **environmental sustainability strategy** consists of its deliberate actions to protect the environment, provide for the longevity of natural resources, maintain ecological support systems for future generations, and guard against ultimate endangerment of the planet.

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Social Responsibility Strategies and the Triple Bottom Line

- The "triple bottom line" or TBL
 - ▶ The profit component
 - Refers broadly to a firm's **overall** financial and strategic performance, not just the "net profit or net income" bottom line of the income statement
 - ▶ The people component or "social bottom line"
 - A composite measure of the impact that the firm's various social initiatives have on the people its operations impact
 - ▶ The planet component, or "environmental bottom line"
 - The firm's ecological impact and its contributions to environmental sustainability

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The Moral Case for Corporate Social Responsibility and Environmentally Sustainable Business Practices

"It's the right thing to do."

- ▶ Ordinary decency, civic-mindedness, and contributing to the well-being of society should be expected of any business
- A firm operates on the basis of an implied social contract with society
 - ▶ Society grants a firm the right to conduct its business affairs and agrees not to unreasonably restrain its pursuit of a fair profit for its goods or services
- In return for this "license to operate," a firm is obliged to:
 - ▶ Act as a responsible citizen
 - ▶ Do its fair share to promote the general welfare

Every firm has a moral obligation to be a good corporate citizen.

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The Business Case for Corporate Social Responsibility and Environmentally Sustainable Business Practices

- There are four good business reasons why firms should be good corporate citizens:
 1. Such actions can lead to increased buyer patronage
 2. A strong commitment to socially responsible behavior reduces the risk of reputation-damaging incidents and lawsuits
 3. Socially responsible actions yield internal benefits (particularly as concerns employee recruiting, workforce retention, and training costs) and can improve operational efficiency
 4. Well-conceived social responsibility strategies work to the advantage of shareholders

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Strategic Insight

Every action a company takes can be interpreted as a statement of what it stands for. The higher the public profile of a company or its brand, the greater the scrutiny of its activities and the higher the potential for it to become a target for pressure group action.

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Should Shareholders Support Spending on Strategies to Be Socially Responsible?

- Shareholders do not appear to be disadvantaged by a firm's actions to be socially responsible
 - ▶ Evidence is that shareholders benefit from a well-conceived social responsibility strategy—especially from a reputation-enhancing standpoint.

The higher the public profile of a firm or its brand, the greater the scrutiny of its activities and the higher the potential for it to become a target for pressure group action.

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Holding Firms Responsible for Their Social Harms

- Halting the harmful actions that result from the bad behaviors of firms usually hinges upon:
 1. The effectiveness of activist social groups in publicizing a firm's harmful actions and marshaling public opinion for something to be done
 2. The enactment of corrective legislation or regulations
 3. Decisions on the part of socially conscious buyers to take their business elsewhere

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Questions for Simulation Company Co-Managers

- Should shareholders applaud your firm's social responsibility strategy?
 - ▶ Could shareholders justifiably argue that management is spending ***too much relative to the benefits being gained?***
 - ▶ What statistical evidence can you cite in defense of the amount your firm is spending on social responsibility and corporate citizenship?
- Would socially-concerned citizens applaud your firm's social responsibility strategy?
 - ▶ Would they argue that you are spending ***too little?***
 - ▶ What statistical evidence indicates that your firm is spending an "appropriate" amount on being socially responsible and a good corporate citizen?

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