Fallingwater
Mill Run, Pennsylvania, USA

Facts:
Build year: 1935-1937 (guest house 1939)
Architect: Frank Lloyd Wright
Construction Materials:
   Local Sandstone
   Reinforced Concrete
   Steel, Glass
Classification: Private Residence
   (open for public since 1964)
Purpose  Management Ethics part I and II

- An overview of management, identifying challenges, and possible ethical problems
- Ethical problems can be related to individuals or organisation
- More specific, within organisation:
  * Culture (Pharma, Oil)
  * Systems (financial crisis)
  * Stakeholders (ignoring environment or customer)
  * Goals (financial only, rigid)
  * Strategies (copycat, non-existent)
  * Organisation structure (not addressing goals)
Contents

* What is an organisation?
  • Culture, mission,
  • Systems
  • Stakeholders
  • Goals and strategies
  • Physical organisation
Views of the organisation

1. Milton Friedman:

«the business of business is business»  A business should only make money for owners.  It should follow laws and regulations, but not be part of society.

2. Social democracy

The business is part of society and may be regulated, or helped.  The state may own businesses, partly or wholly.  Cooperation between government, business and employee representatives common.

3. ISO 26000

An organisation is an assembly of people and facilities, «with an arrangement of responsibilities, authorities and relationships and identifiable objectives».  Organisation is a generic concept.
Organisation attributes:

1. Members, locations
2. Stakeholders
3. Culture, or cultures
4. Structure
5. Goals, strategies, purpose
6. Place in society, duties, entitlements
7. Ownership
Organisation culture(s)

Explicit or implicit assumptions that are organisation wide, or belong to part(s) of an organisation.

May be implemented in policies, hierarchies, rules, computer programs, communication paths, logistics, project management etc.

May influence:

* Planning
* Hiring, promotion
* Quality and service levels
  • Relationships
  • Reporting
* Success criteria
Culture attributes

* Can be negative or positive (e.g. relative to sustainability)
* Difficult to change
* Have champions (and sometimes critics)
* Often invisible, and unconscious

Goffee 1998:

* Cultures can change over time. If left alone, they normally deteriorate (!)
* Different cultures can serve different purposes
* All cultures have advantages and disadvantages.

Four cultures

Goffee 1998

1. **Communal** (shared, caring, cooperating)
2. **Networked** (more distance, less coordination)
3. **Mercenary** (goal oriented, competitive, egoistical)
4. **Fragmented** (separate, uncoordinated)
Mission, vision

Plan or statement regarding purpose and identity.

“Together, let us explore the stars, conquer the deserts, eradicate disease, tap the ocean depths, and encourage the arts and commerce…let [us] join in creating an endeavor…a new world of law, where the strong are just and the weak secure and the peace preserved.”

J.F. Kennedy
Stakeholders

People, organisations, technology or environment that are influenced by a decision, or can influence it.

Primary organisation stakeholders

* Customers – clients – citizens
* Employees, including management
* Society
* Owners
* The environment
Secondary stakeholders

- Expertize
- Politicians
- Influential groups
- Organisations targeting the issue
- People that may be negatively affected
- People that represent issues that are affected by the decision
Stakeholders for ICT

- Users of new application
- Users of old application
- Production
- Service centre
- Management
- Outside expertise

EU Space exploration, built on collaboration
Toyota principles

Liker 2004

* A philosophical sense of purpose
* Generate value for customer, society and the economy
* A responsible attitude
Systems theory

A configuration of parts connected and joined together by a web of relationships can be:

* A machine

* Several machines

* Biology

* An organisation

* A combination of the above

Example: Large organisation with important ICT tools.
System properties

1. The parts or components are connected together in an organized way

2. The parts or components are affected by being in the system (and are changed by leaving it)

3. The assembly does something

4. The assembly has been identified by a person as being of special interest

Geoff Peters *Systems Behaviour*
Elements

«Elements in a system are not free to do all the things which, unorganized, they might do...when organized they are enabled to do together what none of them could do alone, or, if unorganized, even together.»

Systems enable cooperation, thus extend scope
Closed systems

* Fixed inputs
* Fixed outputs
Open systems

* Variable inputs

* Variable outputs
Goals

* Implicit duties (for instance government)
* Stakeholder needs (like Universal Access)
* Business propositions (a better battery)
* Opportunities
* Constraints (a possible goal is to remove a constraint)
  - Money
  - Time
  - Resources
  - Space, weight or similar
  - Long term effects, sustainability
Internal goals

* Better training (studies show good effect)
* Better planning
* New technology (ICT, logistics, robotics...)
* New components (nano, composites, non-polluting, more energy efficient...)
* Employee safety, motivation, participation
External goals

* Design needs (modern, timely, secure, robust, attractive, international, easy, universal...)

* Customer needs (quality, price, Service Level Agreements).

* Society needs (Infrastructure, environment care, people care...)

* Owner needs (economy, sustainability, ethical)

* Governance (structure, reports, feedbacks...)
Goal characteristics

* Important.
* Well written, precise
* Quality assured
* Well communicated (Kverneland)
* Accepted (Kverneland)
* Motivating, at least not demotivating
* Part of an overall vision, mission, world view
“The economics profession has failed in communicating the limitations, weaknesses, and even dangers of its preferred models to the public. This state of affairs makes clear the need for a major reorientation of focus in the research economists undertake, as well as the establishment of an ethical code that would ask economists to understand and communicate the limitations and potential misuses of their models.”


Commenting goal setting:

some researchers are “publishing juggernauts, at the expense of the broader objectives of providing scientific rigor and sound management advice.”

## Strategy

### How to implement goals

<table>
<thead>
<tr>
<th>Type</th>
<th>Timeframe</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand strategy</td>
<td>Continual</td>
<td>Basic values, principles, overall goals</td>
</tr>
<tr>
<td>Long term</td>
<td>5-10 years</td>
<td>Major projects, infrastructure, research</td>
</tr>
<tr>
<td>Short term</td>
<td>1-5 years</td>
<td>Minor projects, improvements, maintenance</td>
</tr>
<tr>
<td>Operational</td>
<td>Current</td>
<td>Day to day considerations, opportunities,</td>
</tr>
</tbody>
</table>
## Strategy evaluations 2007

<table>
<thead>
<tr>
<th>FT 500 rank</th>
<th>Company</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Exxon Mobil</td>
<td>Nationalizations, the environment, finding oil, governance</td>
</tr>
<tr>
<td>2</td>
<td>GE</td>
<td>Lack of strategy, share price flat, is turnaround real?</td>
</tr>
<tr>
<td>3</td>
<td>Microsoft</td>
<td>Old products, competitors, regulators, reputation</td>
</tr>
<tr>
<td>4</td>
<td>Citigroup</td>
<td>US economy, finance crisis</td>
</tr>
<tr>
<td>5</td>
<td>AT&amp;T</td>
<td>US economy, international competition</td>
</tr>
<tr>
<td>6</td>
<td>Gazprom</td>
<td>Expertise, infrastructure</td>
</tr>
<tr>
<td>7</td>
<td>Toyota</td>
<td>Signs of wear and tear?</td>
</tr>
<tr>
<td>8</td>
<td>Bank of America</td>
<td>US economy, finance crisis</td>
</tr>
<tr>
<td>9</td>
<td>Ind &amp; Com. Bank of China</td>
<td>Chinese economy (still running well)</td>
</tr>
<tr>
<td>10</td>
<td>Shell</td>
<td>Nationalizations, the environment, negotiations, finding oil</td>
</tr>
</tbody>
</table>
Strategy challenge

“Does senior management have a clear and broadly shared understanding of how the industry may be different ten years into the future? Are its “headlights” shining further out than those of competitors? Is its point of view about the future reflected in the company’s short term priorities? Is its point of view about the future competitively unique?”

Strategy problems

• Sometimes retroactive (after the fact)

• Sometimes adjustments instead of moving resources
Ideally, organisation structured to meet agreed goals.

Difficult, because

- Goals change
- Inertia, status
- Fashions
- The effects of organisation structure not known
When ICT is part of finance, finance issues have a tendency to become high priority. Likewise with other associations.
The service centre person is responsible at all times.

Example:

- Pass on after 10 minutes
- Pass on after 24 hours
- Limit three days (high priority)
Other organisation forms

- Matrix organisation (often skills based)
- Project organisation (single, specific tasks)
- Virtual organisation (the members may never meet)
- Many other forms

- A single organisation may use a mixture of organisation forms (Mintzberg)
Homework

Find on Internet a suitable example of bad quality becoming an ethical issue.

1. What companies were involved, and how

2. What kind of quality was bad?

3. How did this affect third party?

4. Was any legal action taken?

5. How did it affect share price?
Contents  Management Ethics part II

• Authority and responsibility
• People management
• Creativity
• Customer service, quality and relations
• Society and the environment
• Ownership
• Standards and compliance
• Governance
• Reporting and auditing
• Ethics and governance in the organization structure
Authority

From Latin *auctoritas*, influence or command. Formal or informal power, permissions, access.

Can derive from:

* Ownership (example of social contract)
* Formal appointment (new manager)
* Informal recognition (expertise, helpfulness, support...)
* Contract (Service Level Agreement, purchase...)
* Delegation (see later)
Authority and responsibility

«Authority shall follow responsibility». Henri Fayol.


In this case, authority can be one or more of the following:

• Formal authority

• Resources (budget, manpower, inventory...)

• Education, training, access to competence

• Relationships

Example: Shop assistant alone in shop
Delegation

• Transferring (part) authority to someone else, e.g. task
• Normally keeping some authority, and responsibility

Requirements:

• Task must be well described and understood
• Limits must be clearly defined
• Possible cooperation needs clearly defined
• Risks and fallbacks should be described
Empowerment

Delegating with special powers. For shop assistant may include:

• Discounts (up to a limit)

• Refunds for damaged goods

• Refunds for bad service

• Priority access to service centre etc.

• Using special services, like taxi

• Respect

Example of good empowerment: Finnish schools
People management

Most successful managers:

«More emphasis on what the leader can do for the individual (the leader as servant), than what the leader does to the follower».


The leader as a:

- Helper
- Trainer
- Motivator
- Perhaps visionary
- Risk controller
Human relations requirements

• Recruiting (now a problem for management, engineering...)

• Developing (not all organizations have training plans), promoting

• Changing (the organization may have new goals)

• Finding opportunities (the employee may have good ideas)

• Security
Two organization styles


Large study from Denmark found that the groups were almost equal in size.

People management classics

Money little use as motivator, when people have enough


Humans will take responsibility and want to do good work

Health, Security and the Environment  
(earlier: Occupational Health)

• Many countries have laws

• Emphasis can have positive impact on absenteeism, perhaps creativity

• Workplace improvements directly impacting production (e.g. ICT)

In Norwegian company Aker HSE has top priority – and needs several thousand engineers in 2011.
Creativity

- Design - innovation
- Production
- Research
- Initiatives
- Intellectual capital
Design and innovation

- Done by designers, often professionals
- Competence based, perhaps many competences
- Advanced designs can have huge impact (Apple, World of Warcraft)
- Need time, resources, inspiration
- Difficult to fit into economic theory
Production

• Design for production important (IKEA)

• Modern production seldom mass production, more Japanese type, tailored production

• Production needs to be green, i.e.
  * Little pollution
  * Little waste
  * Using materials and energy sparingly
  * Perhaps modularity and reuse
  * Following standards
  * Perhaps directly addressing ecology (Denmark has 200 wind energy companies)
  * Flexible

Conclusion:

Frequent changes, perhaps major, probably needs professionals.
Research

In this context applied research

- Research seems to impact profits positively (but difficult to prove)
- Apparently defined differently in various organisations
- Should ideally be coupled to design, and production
- May get benefit from conferences, Internet, books
- Metaresearch not highly regarded, but important for organisations
- Problems with research fraud (Pharma...)
- May be coupled to teaching
Initiatives

«Research’s poor sisters»

• Difficult to encourage initiatives
• Perhaps more difficult to handle them right
• Ideally assembled in a database
• Novo had success in requesting employee initiatives:
Intellectual capital

• Competence
• Documentation
• Patents
• Copyrights

Difficult for small organisations to defend patents

«Patent trolls»

Better world wide cooperation needed
Customer service

- Customer is a major stakeholder
  - A source of income
  - A target of designs, normally most the most important
  - A reason for competence
  - Budget and resource planning should enable service
  - Agreements (SLAs) may be strategic
  - Most businesses deliver service (or should)

VW defines itself as a service provider – The BlueMotion Touareg 2011
Service components, major

• Availability

• Uptime, robustness

• Response times, timeliness, interactivity

• Quality, reliability

• Security, risk avoidance

• User friendliness, usability, standards, Universal access...

• Help, communication, courtesy, empathy, well-being ...

• Outcome, price, value for money

In general, one component can seldom replace the need for another. A cheap flight is not adviceable if the airline has low reliability.
Service methods

• Service level agreement/service declaration
• Service centre (service desk, help desk)
• Problem handling
• Change management
• Availability management
• «Service continuity» management
• Capacity planning...
• --- and a number of computer programs
Customer service problems

- Supplier focused in texts, not customer
- Customer not important for mass production (Grønroos 2000)
- Quality not focused
- Service management widespread in ICT, not outside
- Little real training available
- Competence needs not fully appreciated
- Consumer organisations not always popular
- Measurements show little service improvement, if any
- Not all customers are consumers


Wikipedia February 2011 integrates service management into supply chain management, which is a misunderstanding.
Society

- Governments are important organisations
- Many recently privatized parts of government
- Government owns businesses (Norway, Brazil, Russia, China...)
- Government depends on business, business depends on government
Infrastructure

Provided by business and government

Components are for instance:

- Education
- Health
- Communications, logistics
- Finance
- Industry
- Utilities (energy, water, waste...)
- Culture
- Security, risk avoidance
- Laws, regulations, controls
- Governance

Minnesota bridge collapsed 2007
# US infrastructure 2007

<table>
<thead>
<tr>
<th>Category</th>
<th>2001</th>
<th>2005</th>
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<tbody>
<tr>
<td>Aviation</td>
<td>D</td>
<td>D+</td>
</tr>
<tr>
<td>Bridges</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>Dams</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>Drinking water</td>
<td>D</td>
<td>D-</td>
</tr>
<tr>
<td>Energy (National Power Grid)</td>
<td>D+</td>
<td>D</td>
</tr>
<tr>
<td>Hazardous waste</td>
<td>D+</td>
<td>D</td>
</tr>
<tr>
<td>Navigable waterways</td>
<td>D+</td>
<td>D-</td>
</tr>
<tr>
<td>Public parks and recreation</td>
<td>Not included</td>
<td>C-</td>
</tr>
<tr>
<td>Rail</td>
<td>Not included</td>
<td>C-</td>
</tr>
<tr>
<td>Roads</td>
<td>D+</td>
<td>D</td>
</tr>
<tr>
<td>Schools</td>
<td>D-</td>
<td>D</td>
</tr>
<tr>
<td>Security</td>
<td>Not included</td>
<td>I</td>
</tr>
<tr>
<td>Solid Waste</td>
<td>C+</td>
<td>C+</td>
</tr>
<tr>
<td>Transit</td>
<td>C-</td>
<td>D+</td>
</tr>
<tr>
<td>Wastewater</td>
<td>D</td>
<td>D-</td>
</tr>
</tbody>
</table>

*E is a failing grade, I means not unable to assess*

American Association of Civil Engineers 2007
Finnish schools

3 times world best in PISA measurements, in 2010 among the 3 best.

- Long term planning (started 1968)
- Empowerment I (all teachers get 5 years university education)
- Empowerment II (little guidance from above, no teacher controls)
- Motivation (most popular profession among young people)
- Problems solved early (up to 20% of pupils get special education)
The environment
Environment challenges

- Pollution
- Waste
- Energy
- Limited resources
- Biodiversity
- Sustainability
“...in 1994, we set a goal to reduce greenhouse gas emissions by 40 percent by the year 2000. We achieved that goal on schedule. Then we challenged ourselves to reduce our greenhouse emissions by 65 percent by 2010. We made that goal as well. In fact, we achieved a 72 percent reduction by 2004, six years ahead of schedule, and avoided costs of over $3 billion by holding our energy use six percent below 1990 levels. “
Environment business opportunities

- Alternative energy (wind, solar, waves, tides, salinity, geothermal, hydrogen, nuclear)
  * Improving existing energy sources, for instance hydro power
  * Ecological transport (electric car, trains etc., perhaps improvements)
  * Energy distribution, and storage, in the future an EU grid.
  * Pollution handling (waste logistics)
  * Pollution treatment (treating waste, perhaps reusing some)
  * Recycling, cleaning (for instance CO2 capture)
  * Building materials (insulation, improvements, building codes...)
  * Building components (heating, monitoring...)
- Production methods, packaging etc.
- Carbon trading
- Consultancy and research

Hywind platform being assembled 2010 (Statoil)
Ownership

* Private

* Banks

* Professional investors

* Other businesses

* Shareholding
  - Short term
  - Long term
Ownership and financing problems

- Different kinds of shares
- Shareholder representation
- Shareholder influence
- Accounting, «fair» value of business
- Different stages of business
- «Sphere of influence»  (ISO 26000)
## Business stages and funding

<table>
<thead>
<tr>
<th>Stage</th>
<th>Description</th>
<th>Investor type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Startup</td>
<td>Founding, research, establishment</td>
<td>Venture, “family and friends”, “seed capital”</td>
</tr>
<tr>
<td>First money</td>
<td>Starts earning money, establishing customers</td>
<td>Private equity, venture, bank</td>
</tr>
<tr>
<td>Mature</td>
<td>Steady income, perhaps stagnation</td>
<td>Private equity, bank</td>
</tr>
<tr>
<td>Adjustment</td>
<td>Selling or going public (shares). May need fundamental changes</td>
<td>Shareholders, private equity, other companies</td>
</tr>
<tr>
<td>Decline</td>
<td>Needs renewal, or else...</td>
<td>Specialized investors, other companies, private equity</td>
</tr>
</tbody>
</table>
UK ownership guidance

• Publicly disclose their policy on how they will discharge their stewardship responsibilities.
• Have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly discussed.
* Monitor their investee companies
• Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.
• Be willing to act collectively with other investors when appropriate
* Have a clear policy on voting and disclosure of voting activity
* Report periodically on their stewardship and voting activities

Governance and ethics

A quality assurance on management
Board role

- Daily management
- Board
- Audit
Importance of board

“all underperforming North American companies had CEOs doubling as chairman, or a similar system (for instance the CEO determining Board agenda)”

Lucier, Chuck, Wheeler, Steven & Habbel, Rolf  *The era of the inclusive leader.*  Booz Allen Hamilton 2007
The role of ethics in governance

- Provides principles
- Provides reasons
- May provide motivation, and reasons
- May help provide direction
- Risk avoidance
Organisation of ethics

Different in different size organizations

Always the responsibility of management/Board

Managing director

Ethics

- and governance, security, quality....

Line organization
Reporting

• Global Reporting Initiative – comprehensive

• International Financial Reporting System – needs extensions

• Various local initiatives

• Appears unfinished

www.globalreporting.org  February 2011
Conclusion, management science as seen from ethics

• Management science unfinished

• Many ethical problems, some still under investigation

• Perhaps an increase in ethical transgressions

• Pressure for financial performance a driving force (McPhail)

• Is current system for management/financing sustainable?

McPhail, Ken & Walters, Diane  Accounting and Business Ethics.  Routledge 2009
Homework

1. Find examples of uses of «tax havens» to avoid paying taxes

2. Find examples of using tax rules to avoid taxes

3. Which main organizations were involved?

4. Who are losers in these transactions? How do losers react?

5. Which ethical principles are involved?

6. What is the financial performance of some companies involved in tax fraud or tax avoidance?
Discussion day - Corruption

• What different kinds of corruption can you find?

• What advantages and disadvantages does corruption have?

• How does corruption affect a country’s infrastructure?

• How does corruption affect a business environment?

• How can corruption be abandoned, or lessened?
Lecture 10 International agreements

Goals:

Know important issues in international society

Know key documents regulating these

Know outstanding problems, and challenges
Important ethical issues

• Protecting humans

• Worker protection

• Consumer protection

• Resource protection and availability (from fishing to rare earths)

• Environmental protection
  - Pollution
  - Waste
  - Energy
  - Biodiversity
  - Global warming, climate change

• Warfare regulation
General challenges with international ethics

• Ethics theory is often based on individuals

• Different traditions (history, business, teaching, philosophy...)

• Different judiciary structure

• Culture differences

• Religious differences (including factions)

• Communication challenges (media, definitions, language....)

• Governance (ratification, enforcing, overseeing...)
Culture differences

As seen by Michael Davis, Telstra, Australia, 1997

Quality is.....

- Perfection (Japan)
- Follows standards (Germany)
- It works (USA)
- Relationship (Australia)
“Culture is more often a source of conflict than of synergy. Cultural differences are a nuisance at best and often a disaster.”

Prof. Geert Hofstede, Emeritus Professor, Maastricht University.
# National differences (Hofstede)

Key assumptions; «in the beginning was»:

<table>
<thead>
<tr>
<th>The market</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>The power</td>
<td>France</td>
</tr>
<tr>
<td>Order</td>
<td>Germany</td>
</tr>
<tr>
<td>Efficiency</td>
<td>Poland, Russia</td>
</tr>
<tr>
<td>Equality</td>
<td>Nordic countries</td>
</tr>
<tr>
<td>Systems</td>
<td>Britain</td>
</tr>
<tr>
<td>The family</td>
<td>China</td>
</tr>
<tr>
<td>Japan</td>
<td>Japan</td>
</tr>
</tbody>
</table>
UN Declaration of Human rights

Article  Description (shortened)

1. All humans are born free and equal in dignity and rights.

2. Everyone is entitled to all the rights and freedoms

3. Everyone has the right to life, liberty and security of person

4. No one shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment

5. Everyone has the right to recognition everywhere as a person before the law.
Problems with human rights

- Not all have accepted
- Some (countries or groups) are opposed
- Consensus document, with consensus weaknesses
- Little power to enforce
- Why limited to humans?
International Labor Organization objectives (March 2011):

1. Promote and realize standards and fundamental principles and rights at work

2. Create greater opportunities for women and men to decent employment and income

3. Enhance the coverage and effectiveness of social protection for all

4. Strengthen tripartism and social dialogue
Tripartism («Three golden rivers»)

1. Government
2. Employees (or their representatives)
3. Employers (or their representatives)

Government is also an employer

To find issues that are positive to all (education, quality...)

To discuss conflict issues (wages, work conditions....)
UN Global Compact

Built on:

The Universal declaration of Human Rights

The International Labour Organisation’s Declaration on Fundamental Principles and Rights at Work

The Rio Declaration on Environment and Development

The United Nations Convention against Corruption
UN Global Compact part 1

**Human rights:**

Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2. make sure that they are not complicit in human rights abuses

**Labour standards:**

Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4. the elimination of all forms of forced and compulsory labour;

Principle 5. the effective abolition of child labour; and

Principle 6. the elimination of discrimination in respect of employment and occupation.
UN Global Compact Part II

Environment:

Principle 7. Businesses should support a precautionary approach to environmental challenges;
Principle 8. undertake initiatives to promote greater environmental responsibility; and
Principle 9. encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption:

Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.
Global compact review

Advantages

• Short

• Relatively easy to understand

Disadvantages

• Imprecise, difficult to ensure compliance

• Can become instrumental

• Not specifically stakeholder oriented
ISO 26000 (Social Responsibility)

- Launched December 2010
- Approximately 100 countries participated, mostly «emerging»
- Roughly 5 years of work
- Consensus oriented
- Co-chairs from Brazil and Sweden
Purposes of ISO 26000

(The standard does not state its purpose)

• Guidance for all kinds of organisations, especially international
• The basis for a general organisation theory
• Introduction to social responsibility
• A new approach to management (for some)
• Reference work, including glossary
• Help to cooperation, especially international
• Basis for further developments
• NOT certifiable
The death of Corporate Social Responsibility

• The ISO 26000 development team decided to drop «Corporate» from title - perhaps around 2008.

• I.e. work generalized to encompass government, monastries, choirs, all kinds of organizations.

• Some unclear areas, for instance sovereignty

Advantages:

• One theory for all organisations

• Includes newly privatized government branches

• Will hopefully lead to a general theory of organisation
ISO 26000 Stakeholder view

- Main stakeholders are employees, customers, society; and implicitly owners, citizen, members

- The environment not defined as stakeholder, but treated as one

- Have responsibility for partners, suppliers and even customers

Called «sphere of influence», controversial, but partly common practice

* Unborn generations perhaps implied
Social Responsibility advantages (ISO 26000)

• Better decisions
• Better risk management
• Better reputation
• Improving stakeholder relationships (including finance)
• Better motivation, recruiting
• Preventing customer conflicts
The opposite view, the Vice Fund

“Afghanistan, Iraq, North Korea. Those should be reason enough to believe in Defense stocks. Homeland Security and anti-terrorism have become large, profitable industries. So-called “Socially Responsible Investors” would claim that you shouldn’t own stock that have anything to do with defense or weapons. That means that all of the Aerospace and Defense Industries are to be avoided.”

www.vicefund.com July 2007
Overall view (United Nations)

A study of studies found that of 17 studies, three were negative to Social Responsive Investment (SRI), 10 were positive.

UNEP *Demystifying Responsible Investment Performance*. UNEP Finance Initiative with Mercer 2007
Socially responsible investment challenges

• No clear criteria for selection

• Difficult to rank social responsible alternatives and find them in database

• May emphasize different aspects of social responsibility

• Few companies qualify fully

• Lists may favour big companies

• Social responsible AND well managed difficult to find

• The best candidates already expensive (example Novozymes)
## Socially responsible initiatives (selection)

<table>
<thead>
<tr>
<th>Name</th>
<th>Purpose/target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Reporting Initiative</td>
<td>Reporting</td>
</tr>
<tr>
<td>Electronic Industry Citizen Coalition</td>
<td>Electronics</td>
</tr>
<tr>
<td>Extracting Industries Transparency Initiative</td>
<td>Resources</td>
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<tr>
<td>Equator Principles</td>
<td>Finance</td>
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<tr>
<td>Marine Stewardship Council</td>
<td>Fishing</td>
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<tr>
<td>International Road Transport Union</td>
<td>Logistics</td>
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<tr>
<td>Coalition of tourism related organisations</td>
<td>Tourism</td>
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<tr>
<td>Global G.A.P</td>
<td>Agriculture</td>
</tr>
<tr>
<td>UNEP</td>
<td>Buildings</td>
</tr>
</tbody>
</table>
Warfare

Geneva conventions consider

* wounded or sick fighters
* prisoners of war
* civilians
  - medical and religious personnel

Problems:

* New kinds of wars
* Criteria to start a war
* Enforcement
Classified detention criteria for Guantanamo 2003

- All al-Qaeda personnel
- All Taliban members, even non-Afghans
- Anyone with special skills or education, including those known as «professor» or «engineer»
- Anyone speaking a Western language
- Anyone posing a threat to US interests
- Anyone having intelligence value
- Anyone that may be of law enforcement interest

Including three below 16 years (minors)
- one who was 91 when released
- An Al-Jazeera journalist
- One who died after 9 years

650 people from 40 countries

Prisoner claiming ill treatment almost every day (al-Jazeera March 2011)
Status social responsibility

• 75 initiatives in ISO 26000

• Difficult to operate internationally without considering at least some

• Perhaps expensive to ignore

• Few if any courses on standards in business schools

• Investors increasingly aware, some companies blacklisted

• In Norway difficult to get a loan without proving green credentials

• Lots of work still needed
Homework

Look up Tata motors (www.tatamotors.com)

What is their sustainability profile?

What is their ethical profile?

Can you find proof that they are doing what they say?

Please suggest any improvements you think are needed.