

CHAPTER 4 Business Ethics and Social Responsibility

Key Words: Matching

DIRECTIONS: Match each key word to its definition below.

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|--|--|-------|
| a. business ethics | f. ethics | |
| b. code of ethics | g. Food and Drug Administration (FDA) | |
| c. conflict of interest | h. Occupational Safety and Health | |
| d. Environmental Protection
Agency (EPA) | Administration (OSHA) | |
| e. Equal Pay Act | i. social responsibility | |
| | j. sweatshops | |
| 1. The moral principles by which people conduct themselves personally, socially, or professionally. | | _____ |
| 2. The division of the Department of Labor that sets and enforces work-related health and safety rules. | | _____ |
| 3. Factories that pay poorly, have unsafe working conditions, and treat workers badly. | | _____ |
| 4. The rules that govern how we do business. | | _____ |
| 5. A federal law requiring that men and women be paid the same wages for doing equal work. | | _____ |
| 6. Using personal activities or action to advance one's career at the expense of another person. | | _____ |
| 7. The obligation to do what is best for the welfare of society. | | _____ |
| 8. A government agency that protects consumers from dangerous or falsely advertised products. | | _____ |
| 9. A profession's or company's set of guidelines for upholding ethical behavior. | | _____ |
| 10. A federal agency that enforces rules that protect the environment and control pollution. | | _____ |

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Key Concepts: True/False

DIRECTIONS: If the statement below is true, circle the letter T. If the statement is false, circle the letter F, then write the correct version in the space provided.

1. Professional groups such as doctors and lawyers have their own codes of ethics. T F

2. Businesses that do not regulate themselves are able to operate more freely. T F

3. All unethical business practices are covered by the law. T F

4. To make up for losses due to consumer and employee theft, businesses have to charge more for their products. T F

5. When people died from poisoned Tylenol capsules, Johnson & Johnson, the manufacturer of Tylenol, tried to cover it up. T F

6. When a company doesn't have to compete with other companies, its productivity increases. T F

7. One hundred years ago, workers had few rights. T F

8. Women now make as much as men for doing the same work. T F

9. Businesses with good environmental records have better public relations. T F

10. As a member of society, you are both a consumer and a producer. T F

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Reading Skills: Ford Motor Co. Recall

DIRECTIONS: *The Ford Motor Co. recently ordered a mass recall of tires on its Explorer line. The following article describes some of the hurdles that Ford had to overcome to combat the negative publicity this caused. Read the article, then answer the questions that follow.*

Jacques A. Nasser was on top of the world. Striding the halls of the Detroit auto show in January, 1999, the freshly minted CEO of Ford Motor Co. commanded attention. Just a few days into his new job, Nasser was being hailed as the industry's newest auto baron, someone who might at any moment pull off a huge merger with the likes of Honda, BMW, Volvo, or Nissan. Indeed, Nasser seemed to revel in the speculation about how Ford would spend its \$23 billion cash hoard, cracking jokes about the media frenzy. Outside, enormous snowdrifts paralyzed the city. But inside, as he contemplated Ford's future, Nasser's mood couldn't have been sunnier.

Last month, Nasser, 53, once again found himself the center of attention. But this time, as he stepped in front of the cameras, the mood was starkly different. Haunted by safety concerns about the popular Ford Explorer in the wake of last year's Bridgestone/Firestone, Inc. tire recall, a somber Nasser announced that Ford would replace an additional 13 million Firestone tires on its pickups and sport-utility vehicles. The cost: a staggering \$3 billion.

Nasser's latest announcement makes the Firestone debacle the biggest product recall in automotive history. But as devastating as it has been, the tire scandal is only the most public of an array of crises confronting Nasser. The company, widely regarded as the strongest and best-run U.S. auto maker, is suddenly on the defensive. Ford is suffering from a series of self-inflicted wounds, from embarrassing quality glitches and costly product delays to declining productivity.

Certainly, Ford's problems aren't all Nasser's doing. Many are the result of industry trends that have been in the making for years. Yet underlying many of Ford's troubles are the wrenching cultural changes mapped out by Nasser as part of his bold attempt to transform an Old Economy auto manufacturer into a nimble, Net-savvy, consumer powerhouse. Nasser is driving fast—too fast, for many in the company. In his 33-year career at Ford, he has often shown quick reflexes and sharp instincts. This time, though, the stakes are higher than ever. "Would we like to do better?" he says of the company's current woes. "Of course. But we'll take our lumps. We've been through much worse and we'll come through strong." If he's right, Jacques Nasser will go down in history as the man who brought Ford into the 21st century. If he isn't, he risks becoming a management lesson in how not to remake a company.

Almost as soon as he ascended to the corner office, Nasser began overhauling Ford, unveiling one initiative after another. He signed agreements to partner with Microsoft Corporation and Yahoo! Inc. on the Web. He pushed out Ford's Old Guard and brought in talented young stars from the auto industry and beyond. He flattened Ford's bureaucracy, giving more autonomy to regional executives, and shook up senior managers by tying their bonuses to gains in customer service. Gone were the days of automatic promotions and seniority. "You've got to earn a promotion," he thundered at young execs shortly after becoming CEO. "The days of entitlement at Ford Motor Company are gone forever."

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But as employees at all levels struggle to adapt to the host of sweeping changes Nasser has set in motion, many say Ford has lost sight of its fundamental mission: building quality vehicles as efficiently and profitably as possible. "It's all these things being jammed down our throats," says John Wyrwas, 61, a power-train engineer who retired this month. "When we're working on all these things, who's working on the product?" It isn't just a rhetorical question. Harbour & Associates' annual ratings of auto-factory efficiency, released June 14, showed labor productivity at Ford falling 7 percent in 2000, while that of its rivals rose.

In Nasser's defense, many of the problems he's grappling with result from decisions made long before he took charge. "He gets nailed with the problems, but they're what he's trying to change," says Noel M. Tichy, a University of Michigan professor and close adviser to Nasser. Improving quality and business productivity across a \$170 billion company takes time, argue Nasser's supporters, and initiatives begun two to three years ago are just beginning to kick in. Nasser admits that Ford's record on quality has been spotty, but he points out that there are bright spots. Its Jaguar brand, for instance, was notorious for its lousy quality 10 years ago, and now is ranked second best in the industry. But Nasser emphatically rejects the notion that he's trying to force change too quickly on the carmaker. "If there are any regrets," he says, "it's that we're not moving fast enough."

Until recently, Ford was Detroit's Golden Child. With a strong balance sheet, Ford was also able to keep shareholders happy with a variety of share buybacks and other maneuvers, such as the spin-off of parts maker Visteon Corp., that put more cash in investors' pockets. Ford was also busy cultivating a socially responsible image by promising to clean up the environment—a passion of Bill Ford's—with more fuel-efficient vehicles, and by giving employees free personal computers and on-site child care.

Suddenly, Ford's outlook is much cloudier. It's clear that the financial hit from the Firestone crisis is brutal. Last year's tire recall cost Ford about \$500 million. To pay for the latest recall, the company is suspending the remaining \$2.8 billion of a \$5 billion share buyback.

Adapted from Joann Muller, "Ford: Why It's Worse Than You Think," *BusinessWeek*, 25 June 2001.

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1. How much did the 2001 tire recall cost Ford?

2. What changes did Nasser institute within Ford's bureaucracy?

3. What is Ford's stated mission?

4. How do many employees perceive the effect that Nasser's changes have had on this mission statement?

5. What statistical information is given to support this claim?

6. What do Nasser's supporters have to say about the changes in Ford's structure and their impact on the company?

7. How was Ford improving its image on social responsibility before the Firestone recall?

8. How much did a tire recall in 2000 cost the company?

9. How will Ford pay for the 2001 recall?

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Analytical Skills: Government Agencies

DIRECTIONS: The table below lists a series of complaints that concern either the Occupational Safety and Health Administration (OSHA), Environmental Protection Agency (EPA), or the Food and Drug Administration (FDA). Using the information from the chapter about these government agencies, match the agency to the complaint by placing a check mark (✓) in the appropriate box. Then answer the question below.

Complaint	OSHA	EPA	FDA
Hospital dumping medical waste into the river			
Over-the-counter medicine found to cause birth defects			
New preservative in candy bars causes illness			
Emergency exits in a factory not clearly marked			
Smoke from a refinery polluting a town's air			
Worker breaks a finger, is ordered to immediately return to assembly line			
Ingredient in a soft drink causes reaction in people with allergies			
Radiation from a power plant linked to tumors in local residents			
Flammable materials stacked next to heat source in an office			

A business stores hazardous chemicals in leaky containers near workers. The containers spill, soaking their contents into the ground, and causing several workers to become ill. Which agencies would most likely be notified and why?

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Computer Skills: Social Responsibility

DIRECTIONS: Write a letter to your Congressperson in Washington, D.C., using a word processing program. The subject of your letter should deal with an environmental, health, censorship, or other issue of some public concern. It could be either a local or a national issue. You can find information about your Congressperson and where to reach him or her, in an almanac, the phone book, or on the Internet.

1. Start your word processing program. (Hint: Most word processing programs have a tool to help with composing letters.)
2. In the address space, be sure to refer to your Congressperson as "The Honorable," followed by the person's first and last names, as in "The Honorable Harvey Jones."
3. In the salutation, refer to your Congressperson by his or her title, followed by the last name. For example, "Senator Jones" or "Representative Smith."
4. After completing your letter, save your work to a new file.
5. Print out a copy of your work if your teacher has instructed you to do so.

A sample letter is provided below.

Geneva Williams
333 Constituent St.
Los Angeles, CA 90006

May 6, 20XX

The Honorable Regina Smith
United States Senate
331 Hart Senate Office Building
Washington, D.C. 20510

Dear Ms. Smith:

I am writing to express my concern about the proposal to build a nuclear waste dump near the city of Cooper. The proposed site is directly underneath my school. Should there be an accident, it would expose me and hundreds of others to potential dangers.

There are numerous other more suitable sites in the state far from populated areas. I urge you to oppose the proposed waste dump.

Sincerely,

Geneva Williams

Geneva Williams