Week 4: Stakeholder Analysis
January 29, 2020
Plagiarism
- Please follow the Georgia Tech Honor Code!
Who are stakeholders?

- Mostly discussed in the context of business ethics.
- Stakeholders are broadly defined as anyone who is impacted by a decision-maker’s decision.
- Some examples of corporate stakeholders would be shareholders, employees, customers, suppliers, financiers, families of employees and the community in which the corporation is located.
- Stakeholders could also be less directly related to the operations of a corporation.
Ethical dilemma and stakeholders

• Identification of potential stakeholders is essential for ethical behavior, and failure to identify stakeholders has led many to make unethical decisions without ever realizing they had a moral dilemma in the first place.

• E.g., Production vs. pollution

• E.g., Profit vs. low wage
• Uber is one of Silicon Valley’s biggest success stories.

• The company is valued at close to $70 billion by private investors and now operates in more than 70 countries.
"What's going to happen to my job?"

That's what an increasing number of anxious Americans are asking themselves.

The US workforce, which has been one of the most productive and wealthiest in the world, is undergoing an alarming transformation. Increasing numbers of workers find themselves on shaky ground, turned into freelancers, temps and contractors. Even many full-time and professional jobs are experiencing this precarious shift. Within a decade, a near-majority of the 145 million employed Americans will be impacted. Add to that the steamroller of automation, robots and artificial intelligence already replacing millions of workers and projected to "abolish" millions more, and the

Report incorrect product information.
Over the last century, the world has experienced unprecedented economic growth, primarily driven by energy use.

GDP growth

- CO2 emissions
- Energy (terawatt-hours)
- GDP

Source: [worlddata.org](http://worlddata.org)
Increase in carbon dioxide emissions is the primary driver of rising global temperatures.

Mean temperature change relative to 1850–1900 in degrees Celsius and atmospheric CO2 (ppm).
Plastics Plants Are Poised to Be the Next Big Carbon Superpolluters

A boom in petrochemical plants driven by cheap natural gas could lock in greenhouse emissions for decades to come

By Benjamin Storrow, E&E News on January 24, 2020
Did Goldman Sachs and the “Fabulous Fab” Commit Securities Fraud?

In 2010, the SEC sued the company and an employee, named Fabrice Tourre, for fraud. Did the bank knowingly mislead investors? Goldman Sachs argued that it is up to clients to assess risk involved in investments.
• Evaluate the potential actions you can take and then pick the course that is least morally problematic to a specific stakeholder (from an action, moral obligation, or social contract perspective).
Milton Friedman

American Economist

- 1976 Nobel in Economics


- The book focuses on the connection between economic freedom, political freedom, and the important impact this connection has on an economy
“The social responsibility of business is to increase its profits.”

A survey asked the top 25 percent of income earners holding a university degree in each country surveyed whether they agree with Milton Friedman’s philosophy.

The results...
Percent of “Informed Public” Who “Strongly/Somewhat Agree” with Milton Friedman

- United Arab Emirates: 80%
- Japan: 70%
- India: 60%
- South Korea: 60%
- Singapore: 60%
- U.S.A.: 50%
- China: 40%
- Brazil: 40%
- Germany: 40%
- Italy: 30%
- Spain: 30%

The Public Stock Company: Hierarchy of Authority

- State Charter
- Shareholders
- Board of Directors
- Management
- Employees
The Shared Value Creation Framework
Michael Porter argues that executives should not concentrate exclusively on increasing firm profits.

Rather, the strategist should focus on creating shared value, a concept that involves:

- Creating economic value for shareholders
- Creating social value by addressing society’s needs and challenges
A model proposing that managers have a dual focus on:

- Shareholder value creation
- Value creation for society

Example: GE’s ecomagination initiative

- To provide cleaner and more efficient sources of energy
- To provide abundant sources of clean water anywhere in the world
- To reduce emissions
Microsoft will be carbon negative by 2030

Jan 16, 2020  |  Brad Smith - President

Carbon negative by 2030

Remove our historical carbon emissions by 2050

$1 billion climate innovation fund
Michael Porter’s Recommendations to Reconnect Economic & Societal Needs

1. Expand the customer base
   ∨ Bring in nonconsumers such as those at the bottom of the pyramid (large / poor socioeconomic group).

2. Expand traditional internal firm value chains.
   ∨ Include more nontraditional partners such as nongovernmental organizations (NGOs).

3. Focus on creating new regional clusters:
   ∨ Such as Silicon Valley in the United States
   ∨ Electronic City in Bangalore, India
   ∨ Chilecon Valley in Santiago, Chile
Strategy and Business Ethics
An agreed-upon code of conduct in business, based on societal norms

Lay the foundation and provide training for:

“behavior that is consistent with the principles, norms, and standards of business practice that have been agreed upon by society”

Can differ in various cultures around the globe

Universal norms include:

- Fairness
- Honesty
- Reciprocity
When Facing an Ethical Dilemma

- Ask whether the intended course of action falls within the acceptable norms of professional behavior.
  - As outlined in the organization’s code of conduct
  - As defined by the profession at large

- Would you feel comfortable explaining and defending the decision in public?
  - How would the media report the business decision if it were to become public?
  - How would the company’s stakeholders feel about it?
Inside Uber’s Aggressive, Unrestrained Workplace Culture

Uber offices in Berlin last year. Some current and former Uber employees describe a largely unrestrained workplace culture.  Krisztian Bocsi/Bloomberg
Ethical Leadership Is Critical

- Strategic leaders set the tone for the ethical climate within an organization.
  - Employees take cues from their environment on how to act.

- CEOs of Fortune 500 companies are under constant public scrutiny.
  - Ought to adhere to the highest ethical standards
  - Unethical behavior can destroy the CEO’s reputation.

- Ethical expectations must be clear.
- Management must provide.
Do Facebook and Google have an ethical responsibility to help people who are sharing information about an imminent self-directed violence (e.g., suicide)?
Developed by Harvard Business School students

Helps anchor future managers to professional values
  Helps management achieve a professional status

Has been taken by:
  6,000 MBA students
  Students in over 300 institutions around the world
As a business leader I recognize my role in society.

- My purpose is to lead people and manage resources to create value that no single individual can create alone.

- My decisions affect the well-being of individuals inside and outside my enterprise, today and tomorrow.

Therefore, I promise that:

- I will manage my enterprise with loyalty and care, and will not advance my personal interests at the expense of my enterprise or society.

- I will understand and uphold, in letter and spirit, the laws and contracts governing my conduct and that of my enterprise.

- I will refrain from corruption, unfair competition, or business practices harmful to society.
I will protect the human rights and dignity of all people affected by my enterprise, and I will oppose discrimination and exploitation.

I will protect the right of future generations to advance their standard of living and enjoy a healthy planet.

I will report the performance and risks of my enterprise accurately and honestly.

I will invest in developing myself and others, helping the management profession continue to advance and create sustainable and inclusive prosperity.

In exercising my professional duties according to these principles, I recognize that my behavior must set an example of integrity, eliciting trust and esteem from those I serve. I will remain accountable to my peers and to society for my actions and for upholding these standards.

This oath I make freely, and upon my honor.