

Social Responsibility: Four Characteristics of Responsibility (Multinational)

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SUBJECT(S): Management

GRADE LEVEL(S): 9, 10, 11, 12

≡ OVERVIEW:

: In this lesson, the teacher will address the four characteristics of responsibility. Students will read “Tiffany & Co: A Case Study in Diamonds and Social Responsibility.” Students will then work in groups and analyze a hypothetical company against the back drop of “doing nothing” versus “doing something.”

≡ NBEA STANDARD(S):

- Management, V. Ethics And Social Responsibility

≡ RELATED ARTICLES:

- [“The Conversation: Social Impact and Making a Difference in the World”](#)
- [“Revealing Research Exposes Business on the Dark Web”](#)
- [“Pursuing Careers that Combine Finance with Social Good”](#)
- [“Grassroots Goal: HIV Prevention on the Soccer Field”](#)
- [“Educator Toolkit: Exploring Ethics”](#)
- [“Catching Up with Plastic-Straw Crusader Milo Cress”](#)
- [“Building an Ethical and Efficient Recycling Supply Chain in India”](#)

Objectives/Purposes: The purpose of this lesson is for students to comprehend elements of social responsibility, specifically in the context of business management/competition at the multinational level. Students will be able to make connections at scale, understanding the organizational dynamics of a multinational business operation.

Knowledge@Wharton Article: [“Tiffany & Co: A Case Study in Diamonds and Social Responsibility”](#)

Other Resources/Materials:

For Teachers: Internet Access — if the teacher has Internet and can project the screen to the class, this is fine.

Activity:

1. Introduction (10 mins): Class discussion opener:

The teacher should introduce the two views of social responsibility: Classic and Socioeconomic.

NOTE: Simply mention to students that there are two views of social responsibility. For the purposes of this lesson we will define and understand the classic view while we go into more of an analytic study of the socioeconomic view because studies appear to show a positive relationship between social involvement and the economic performance of firms.

- **Classic View:** Management’s only responsibility is to maximize profits by operating the business in the best interests of the stockholders. Expending the firm’s resources on doing “social good” unjustifiably increases costs that lower profits to the owners and raises prices to consumers.
-Write this definition on the board so students may reference this throughout the lesson (Students may want to take this definition in notes to reference in the future)
- **Socioeconomic View:** Management’s social responsibility goes beyond making profits to include protecting and improving society’s welfare. Corporations are not independent entities responsible only to stockholders. Firms have a moral responsibility to larger society to become involved in social, legal and political issues.
-Write this definition on the board so students may reference this throughout the lesson. Students may want to take this definition in notes to reference in the future.

Next write four characteristics of social responsibility on the board. Inform students that under the socioeconomic view, businesses engage in different aspects of social responsibility. Students may want to take down this definition in their notes to reference in the future.

1. **Social Obligation:** The obligation of a business to meet its economic and legal responsibilities and nothing more (i.e., companies that pay minimum wage only meet the bare minimum legal obligation for salary).
2. **Social Responsiveness:** The capacity of a firm to adapt to changing societal conditions through the practical decisions of its managers in responding to important social needs (i.e., Banks use to only operate from 9am to 4pm Monday through Friday, due to the societal changes as to when people could conduct banking business, banks now offer more flexible banking options- open earlier and later hours and Saturdays, online and phone banking 24 hours, ATMs in a wide variety of locations etc.)
3. **Social Responsibility:** A firm's obligations as a moral agent extends beyond its legal and economic obligations, to the pursuit of long-term goals that are good for society (i.e., companies adopting more environmentally friendly business practices- grocery stores that encourage customers to use reusable bags instead of plastic bags).
4. **Social Impact Management:** The field of inquiry at the intersection of business practice and wider societal concerns that reflects and respects the complex interdependency of those two realities (i.e., Wal-mart offering organic produce and dairy in some markets due to the social concern that many consumers have with regards to food production practices).

Once students have an understanding of the four characteristics of responsibility, break students into four groups and assign each group one of the above characteristics. Have each group brainstorm three to four examples (other than those mentioned above) of business practices that could be classified under their assigned characteristic (i.e., group one will give examples for social obligation, group two will give examples for social responsiveness, etc). Allow groups sufficient time to discuss then have each group share with whole class.

2. *Guided Reading (10 mins):*

Note: Teacher should project article on projector for students to read.

Now, have students read the K@W article: [“Tiffany & Co: A Case Study in Diamonds and Social Responsibility”](#)

3. *Class Discussion (5 mins):*

As a whole class, answer the following questions based on the section of the article.

1. According to the article what is “doing nothing?” What are some of the consequences for Tiffany’s “doing nothing?”

Potential Answers Include: *Not addressing a potential problem*

- Potentially damages brand equity, leaving Tiffany open to attack by an NGO (non-governmental organization) or another organization and making the company vulnerable to criticism. As the case study noted, “Targeting brands was like discovering gunpowder for environmentalists.”
- Forces the company to operate from a stance of damage control, responding to agendas framed by others; forces company into a position of responding only “after the fact” at a time when rumor mills threaten to diminish any company response.
- Creates a negative perception of the company for its own employees and lowers employee morale.
- Creates the potential for a crisis of consumer confidence, which translates into a risk for sales.
- Brings into question Tiffany’s commitment to being an ecology-minded company, creating a negative “halo” for the company. The silent, subtle approach might actually compromise Tiffany’s existing environmental strategies and its ability to attract socially responsible investors.

2. According to the article what is “doing something?” What are some of the consequences of Tiffany’s “doing something?”

Potential Answers Include: *Addressing a potential problem in one way or another.*

- Increases costs incurred by ensuring that metals are procured from valid sources and pronounced “clean.” Increases costs incurred by advertising to show that you are taking a stand for responsible mining and environmental protection.
- Attracts attention to what may be a “non-problem.” As the case study noted, “Kowalski felt that consumers were currently unaware of the issues associated with precious metals...”
- Fosters even more scrutiny to determine just how committed Tiffany is to the “green” agenda. For instance, Tiffany is committed to a progressive “chain of custody” for its gold and silver sourcing, but has not yet amended platinum sourcing (although Kowalski favors adding platinum to the agenda at some later date). This raises the potential for a

discussion of Tiffany's "degrees of clean" when it comes to environmental issues, students noted.

- Cheapens the brand by aligning Tiffany with other "green" companies. For instance, what do Tiffany diamonds have in common with Ben and Jerry's Ice Cream?
- Antagonizes customers who do not want environmental concerns to "ruin the moment." Distracts from "selling dreams." Clouds Tiffany's message about what they are selling – which for generations has been the perception of wealth, luxury and a wonderful life
- Raises questions about returns for shareholders. Does this protect the brand in the long run, or open up expensive problems?
- Raises prices of products
- Draws a line between customers' divergent environmental sensitivities. For instance, will mining issues influence customers in the Western states more than Eastern ones?
- Creates concern over Tiffany's role with NGOs, their goals and agendas. Should Tiffany advocate NGO goals? What power should Tiffany have to tell NGOs what agendas to seek in exchange for the company's cooperation? Alignment with NGOs forces the company into a position it cannot always control.
- Focuses attention on Tiffany, running the risk that the company will "stand alone" among its competitors.

3. What characteristic of responsibility could Tiffany's action(s) be classified under?

Answer: *Social Responsibility*

4. Exploration Activity (15 mins): Social Responsibility

Have students get into groups. Using the model presented in the model of "do nothing" and "do something." Have student groups analyze the following situation first analyzing the consequences of doing nothing, then analyze the following situation "doing something."

Situation: The Multi-national company called "Business Around the World" sells a clothing line of women's clothing. The clothing company has recently found out that one of its factories in a developing country is hiring children in its factory. If the children are fired they and their families will most likely suffer from extreme poverty. If they continue to work in the factory, buyers of the clothing line may boycott the line because they are employing children, a fact which some consider to be immoral.

Once student groups have analyzed the situation have groups present their findings and solutions.

5. Closing (5 mins):

Use this time to answer questions and clarify points of confusion.

Tying It All Together: Social responsibility is one of the elements of Business Ethics and Social Responsibility. This lesson plan can stand alone or the teacher may wish to visit other Wharton Global Youth Program lesson plans that highlight other ethics and social responsibility related topics. The topic “Social Responsibility” is subsumed within the greater umbrella of Business Management, including but not limited to:

- Theories of Management
- Five Management Functions
- Business Organization
- Personal Management Skills
- Business Ethics and Social Responsibility
- Human Resource Management
- Technology and Information Management
- Financial Decision Making
- Operations Management

Practice Outside of the Classroom: Students may wish to examine the characteristic of social responsibility of multinational companies they patron and make conscious decisions as to what characteristic of social responsibility they believe a multinational company is responsible for when purchasing products.