

Case study-james hardie essay



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Executive summary: This report serves to analyze the external and internal environment of James Hardie and explain the importance of managerial ethics and corporate social responsibility. In the James Hardie case, since the managers solely pursued profit maximization, they neglected employee safety and health, which resulted in 137 young workers dying due to asbestos-related diseases.

Money as the single bottom line is increasingly a thing of the past. Pursuing profit leads to unethical management, propagating false or misleading information, bad corporate reputation, unstable employment, reducing long-run profit, etc. More and more concern is displayed with managerial ethics and social responsibility. Some may regard them as costs which will eliminate their competitive power, however, in my opinion, organizations could not survive without them in the long run. As a developing country, corporate social responsibility in China is still a start, but it is getting more and more important.

Part A: Case Study 1. Internal Environment Analysis James Hardie is a world leader in fibre cement technology, established in 1937. It is operating in the United States, Australia and New Zealand. Now, James Hardie is also expanding into Asia, with a manufacturing plant in the Philippines, and into Europe. According to their website announcement, their aim and growth strategy are:

- Create value for customers and shareholders.

- Aggressively growing fibre cement businesses in markets and seeing new markets.
- Establish a differentiated competitive.
- Maintaining leadership in products, technology, manufacturing and brand management

Based on

above announcement and case situation, we could discover that: 1. The culture of James Hardie is aggressive to development and profit maximization.

2. The managerial ethics of James Hardie is utilitarian view. Peter Macdonal, the CEO of James Hardie make every decision is solely on the basis of profit. In this case, James Hardie's board of director ignored employee's benefit and social responsibility.

They tried their best to pursue profit and escape their obligation. All of these reflect their company's culture. Culture has an effect on decision. Pursuing profit maximization must lead manager to chase for money by any kinds of means.

2. External Environment Analysis 1) In James Hardie's case, we could realize the power of external environment. The customer pressure and government involvement are the critical factors in solving this problem. Employee: raise the issue and ask for the compensation Government: investigate the issues Consumer/Public Pressures: push the government and James Hardie to face the issues by boycott and media. 2) James Hardie neglected the power of external environment and the importance of social responsibility, which lead to: Bad reputation -James Hardie is regarded as an irresponsible company.

Sales reduction-The boycott from public must reduce revenue seriously. A huge obligation for the compensation Not good for the long term profit)No one can live out of society. No matter the general environment factors or the specific environmental factors would have an effect on business. The decision maker should consider them before making any choices. 3.

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Brief Summary According to the internal and external analysis, we realized that: 1)The good/ethical culture is important for management. 2)Profit is not everything. For long term benefit, company should display a concern with social responsibility. Part B: Managerial Ethics Today people are finding that there's more to life—and business—than profits alone. Money as the single bottom line is increasingly a thing of the past.

In a post-Enron world, values and ethics are an urgent concern. The hottest buzz today is a commitment to “ people, planet, profit. ” Employees and the environment are seen as important as economics. 1. What is ethics in business? Managerial Ethics is making business socially responsible in how it impacts the environment, serves the community or helps create a better world. As a responsible manager, the standard of ethics is not to do anything unlawful or improper that will harm the organisation.

Following are some rules in managerial ethics: ? Conduct business in compliance with all laws. ? Payments for unlawful purposes are prohibited. Bribes are prohibited. ? Avoid outside activities that impair duties. ? Maintain confidentiality of records.

? Comply with all antitrust and trade regulations. ? Comply with accounting rules and controls. ? Do not use company property for personal benefit. ? Employees are personally accountable for company funds. ? Do not propagate false or misleading information. ? Make decisions without regard for personal gain.

2. Management Ethics and profitability are not mutually exclusive. Some who are only chasing for profit regards ethics as barrier. However, lots of

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researcher approve that managerial ethics are not mutually exclusive with profitability. A recent study done at the University of Chicago by Prof. Curtis Verschoor and published in Management Accounting found that companies with a defined corporate commitment to ethical principles do better financially than companies that don't make ethics a key management component.

Public shaming of Nike's sweatshop conditions and slave wages paid to overseas workers led to a 27% drop in its earnings several years ago. And recently, the shocking disregard of ethics and subsequent scandals led to financial disaster for Enron, Arthur Anderson, WorldCom, Global Crossing, and others. Managerial ethics strengthen customer loyalty, and brand reputation, which will be beneficial to profit in long term. 3. People are the most important resource in 21st century.

Bringing ethics and values into the workplace can lead to employee retention. In today's highly competitive environment, the best talent seeks out organizations that reflect their inner values and provide opportunities for personal development and community service, not just bigger salaries. To survive into the 21st Century, organizations must offer a greater sense of meaning and purpose for their workforce. Part C: Corporate Social Responsibility 1. Corporate Social Responsibility (CSR) gets more and more attention in business Businesses today, while pursuing profit maximization, should simultaneously be responsible to all stakeholders: the consumers, the stockholders, the community and other groups contributed to the development of the business. CSR is more and more becoming a hot topic, Labor rights, injustice among different social parties, environmental

protection issues, etc, attracting attention from the government, different organizations and institutions, and businesses.

A businesses interest should be consistent with those of the whole community; the community has provided various resources for business, therefore, the business should in turn satisfy the needs of the community. 2. Strengthening CSR is a need for business itself Today, Businesses main function is no longer only pursuing the economic ends; it also has to contribute to the whole society: economic vitality, social progress, and a healthy environment. Obviously, a business that does not follow the legal regulations or makes profits by cheating customers will not live long. And those that operate without concern for employees' rights, safety and welfare of individuals will not be attractive to the employees, and their employees will not work proactively for them. Those that developed and grew at the cost of the environment will have built for themselves an awful image to society and will lose having a good reputation with consumers.

A businesses image is as important as the brand: those that pay no attention to CSR will lose their foot holding in the global market and eventually cease to exist. 3. In the Long Run, CSR is favorable to the economy as well as to society In short term, the enforcement of CSR will increase cost to the enterprises. For example, in the labor-intensive industries such as textiles, garments, toys, hats, and shoes, the CSR aspects of working environments and labor rights respect will result in an increase in production costs.

This will initially have negative impacts on the competitiveness of some export industries. Thus, the comparative advantage in cost will diminish. But

in the long run, the benefits will outweigh the costs.)Firstly, CSR is good for improving the labor-capital relationship. Despite the enforcement of labor legislation, there are still many cases of infringement upon labor's rights.

We can see from time to time reports on working injuries and accidents, poisoning, deprivation of employees' interests and rights, etc. The health condition, safety, and security of employees are still badly neglected. By the implementing and enforcing CSR, businesses will have to change their way of treating employees, they will have to treat their employees with respect. 2)Secondly, CSR is good for the sustainable development of the enterprise.

CSR is becoming more and more popular and fashionable in the business world. Many multinational companies have realized that by choosing to practice and publicly emphasize and endorse CSR, they are able to leverage a competitive advantage. Improving its image in the public eye and social reputation, multinationals practicing CSR, also comply with the corporation's financial ends, especially its long-term economic interests. 3)Thirdly, CSR is good for the implementation of scientific development.

CSR initiatives would establish a scientific system for measuring business ethics and other human-based management. It helps to quantify some abstractions, such as respect for others, understanding for others, justice, and fairness. 4. CSR in China: Just getting in started but become more and more important Most Chinese company are actually still just getting started with a learning process on CSR, and it seems as if different organization are promoting CSR without sufficient coordination.

However, that is no doubt that CSR will become increasingly important in China, as the initiatives undertaken by government, economic organization and companies continues to gain momentum.)Strengthening CRS is helpful: to solve trade restrictions and trade barriers for Chinese Enterprises. For the past consecutive 11 years, China was ranked number one in the world for the number of anti-dumping cases in the foreign trade arena. China alone accounted for one-third of the total number of the world's anti-dumping cases last year. With the enforcement on and practice of CSR by an increasing number of enterprises, the enterprises can build and sustain a good image which will in rum improve their competitiveness. With the proper implementation of CSR, businesses could deal with trade friction in a much easier way and potentially even avoid it altogether 2)Strengthening CRS is helpful to improve the quality of product It is the corporation's obligation to provide society with good quality products and services.

The quality of the products concerns people's daily life and health. In China, there is still a long way to improve. News about fake goods or products was reported in China frequently, specially the case of Sanlu milk power shocked not only China but also the world. The melamine content of milk power is 1748 times over than the standard which lead to about seven thousands babies got the kidney stones. The scandal involved not only a company but also the whole industry, even the whole production industry of China.

" Made in China" become a unsafe label of product. Everything supplied by any business must take people's well-being into consideration; otherwise, not merely the enterprise but also the industry will pay a high price. We need to continue our effort to counter the fake or pirated goods in the market, to

get rid of any goods or services with poor quality, and at the same time, improve our legal system to strengthen the regulations on this.

3) Strengthening CRS is helpful to protection environment.

Although the China government has put much effort into environment in recent year, environmental protection is still a big challenge and task for China. In accordance with the statistics of the national environment protection bureau and the statistical bureau, the total financial loss resulting from environment pollution amounted to 511.8 billion US dollars, which accounted for 3.5% of GDP that year. Business, as the major player on the market, must naturally take the responsibility of environmental protection, particularly in those industries that are the greatest polluters to the environment, such as: steel, cement, ferroalloy, coking plant, calcium carbide, etc. Environmental protection is one of the most important aspects of CSR initiatives.

It has placed greater challenges for developing countries and still remains a large problem that restrains and troubles many Chinese enterprises. Part D: Conclusion No matter of the scandals of James Hardie, Sanlu milk powder, or Enron, all of them approves the important of managerial ethics and social responsibility. Profit maximization, the golden rule as the bottom line of business is not suitable in 21st century anymore. Profit, Planet and People are become the triple bottom line in business. Organization should setup ethics management standard and display more concern on environment issues, human right issues and other social responsibilities. To be a responsibly citizen are the only golden rule for survive in today business world.