

THE
LEGAL
ENVIRONMENT
OF
BUSINESS



Blair J. Kolasa

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School of Business and Administration
Duquesne University



ADDISON-WESLEY PUBLISHING COMPANY

READING, MASSACHUSETTS / MENLO PARK, CALIFORNIA
LONDON / AMSTERDAM / DON MILLS, ONTARIO / SYDNEY

SPONSORING EDITORS: William H. Hamilton; Janice Jackson Hill
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MANUFACTURING SUPERVISOR: Hugh Crawford

Library of Congress Cataloging in Publication Data

Kolasa, Blair J., 1926-

The legal environment of business.

Bibliography: p.

Includes index.

1. Commercial law—United States. 2. Business enterprises—United States. 3. Industrial laws and legislation—United States. I. Title.
KF889. K64 1984 346.73'07 83-12322
ISBN 0-201-10604-3 347.3067

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BCDEFGHIJ-HA-8987654

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To Sue

ABOUT THE AUTHOR

Blair J. Kolasa has served as Professor of Behavioral Science and Dean of the School of Business and Administration at Duquesne University from 1970 to 1983. Previously, he was on the faculty at Duquesne and Kansas State University. Dr. Kolasa received the Ph.D. degree in industrial and social psychology from the University of Pittsburgh and the J.D. degree from Duquesne University.

In addition to several articles and monographs, Professor Kolasa has authored two books, *Introduction to Behavioral Science for Business* and *Responsibility in Business*, as well as co-authored *Legal Systems* (with B. Meyer). His professional affiliations include membership in the Bar, membership on the Executive Committee of the American Business Law Association, appointments on several committees of the American Assembly of Collegiate Schools of Business, and the Presidency of the Middle Atlantic Association of Colleges of Business Administration.

Other activities have included participation in the Social Issues in Management Division of the Academy of Management, service on the District Export Council of the U.S. Department of Commerce, and membership on several boards of directors and the White House Conference on Small Business. Dr. Kolasa has also served by appointment on the President's Commission on White House Fellowships.

PREFACE

The impact of law upon business has been clear for too long to remain in question. What remains to be resolved, however, is the kind of delineation that will provide a beginning student of business or even a citizen of the general community with the basic concepts of the operations of law that will enable effective decision making in society.

While a consensus on the proper approach to this facet of legal education has not yet been achieved, there is certain evidence that a realization of requirements in this area is rapidly being reached. The traditional approach to business law concentrating on one or two narrow substantive areas, no matter how basic these were thought to be, has left much to be desired. Recent expansion of law activity into areas heretofore little noted or not discussed at all has raised questions as to the adequacy of lay persons' exposure to law problems affecting their decisions regarding their organizations and individuals within them. There is further recognition that an introductory course in business law can not duplicate the experience in a law school class covering those same topics. A proper course for the business person in today's complex society cannot and should not be shaped by the wish to pass on training like one's own. The question is not one of quality or quantity but of effectiveness in providing an appropriate educational experience.

The growing realization by business persons that they are facing an increasingly complex or, at least, different world is clear from some responses in the area of education for business. The American Assembly of Collegiate Schools of Business

(AACSB), in its standards for the accreditation process, has focused attention upon the characteristics identified as critical in the preparation for business and other organizational careers; one of the most critical standards is curriculum, and one subsection of that standard notes the necessity for inclusion of a study of the legal environment in the curriculum of a school of business. Standard IV (b) states that programs in business administration should include

- (b) a background of the economic and legal environment as it pertains to profit and/or nonprofit organizations along with ethical considerations and social and political influences as they affect such organizations.

This segment of the standard clearly identifies the importance of the study of law as not only an abstract social science but one that must have applicability to society, its organizations, and its individual members.

The study of the legal environment of business is a discipline that focuses upon the problems faced by decision makers in society; as such it must include the study of how law functions as part of the social structure. This approach must go beyond the mere recitation of case decisions or even reasons given by judicial authorities for those decisions; there must be added recognition of social and psychological bases for legal actions. Inputs of all kinds must be included, as well as the effects resulting from legal actions.

This text delves more deeply into the social bases of legal functioning than preceding works have been able to do. Continuing attention to the problems of law in society is fundamental to the development of a solid platform from which the consideration of legal problems must be made. Each substantive area of law is treated not only with respect to the traditional legal questions previously posed but also in terms of how these must be phrased in order to meet them effectively in present societal settings.

This text, further, meets the additional demands of the AACSB curricular standards that outline broad goals of education for business:

The purpose of the curriculum shall be to provide for a broad education preparing the student for imaginative and responsible citizenship and leadership roles in business and society—domestic and worldwide. The curriculum shall be responsive to social, economic, and technological developments and shall reflect the application of evolving knowledge in economics and the behavioral and quantitative sciences.

The salient feature of this educational objective is the recognition of the fact that narrow approaches toward a topic are no longer adequate for preparing decision makers for a complex world. For law problems, the traditional approach to the study of law is not enough. As part of this development one might add the factor of expansion from a parochial stance to a more cosmopolitan one. Just as businessmen and businesswomen have recognized the growing importance of their international activities, so the standards have reflected the need for consideration of “leadership roles in business and society—domestic and worldwide.”

This text recognizes this new and necessary thrust in the incorporation of international legal aspects of business functioning. It covers the newer, more socially

related areas of equal opportunity, occupational health and safety, consumer protection, law and the environment as well as the more limited technological area of computers and the law. Leading cases are included, in excerpt form, with an emphasis upon more recently decided ones. For specific didactic reasons the cases generally build up in length and complexity as the reader proceeds through the text; the extent to which reference is made to the cases by users will reflect extension from the basic outlines of the textual material. This approach permits more flexibility in the level of treatment of topics within the same work.

As a result, this text is appropriate for use at the introductory level in an undergraduate or graduate program where a solid base for managerial decision making is expected later. It stands by itself or as the base of further course work in specific substantive areas of law such as contracts, sales, commercial transactions, or negotiable instruments. The focus is upon concepts rather than the accumulation of fine bits of information in order to maintain a meaningful basis for future operations.

The author wishes to express his gratitude to many peers in the American Business Law Association for their stimulating impact upon the basic philosophy of this text. Thanks also to the deans who are members of the accreditation committees and officers of the AACSB whose views, unknown to them, reinforced or confirmed the orientation toward and execution of the ideas that are basic to the development of this work.

Professors Nina Compton of New Mexico State University and Russell Welch of North Texas State University have developed a Student Workbook that significantly aids instructors as well as students in the learning process. Their contribution is gratefully acknowledged and the result of their efforts is recommended, along with the Instructor's Manual and Test Bank available to adopters.

Other professional colleagues have been most generous with offering valuable advice and comments that have helped to shape the final text. I am deeply indebted to each of the following for their assistance: Dugald Hudson, Georgia State University; Edwin W. Tucker, University of Connecticut; Nancy Hauseman, University of Iowa; John Jozwiak, Loyola University; Ellen Pierce, University of North Carolina at Chapel Hill; Stanley R. Berkowitz, Babson College; Jay Sklar, Temple University; Harold Wright, Northern Illinois University; Barbara Blackstone, Slippery Rock University; Anne Neel, First City National Bank, Houston; and Elton R. Lanier, Georgia State University. While these colleagues have provided much to aid in the development of the text, any shortcomings are entirely attributable to the author.

The professional personnel at Addison-Wesley have been most generous with their time and energy in bringing this work to fruition. It is not possible to mention all, but William Hamilton, Milton Johnson, Janice Jackson-Hill, Mary Clare McEwing, Patricia Williams, Sheila Pulver, and Barbara Gordon, with other members of their staff, have the genuine gratitude of the author.

At Duquesne University Pam Ciarolla carried the heaviest load of preparation of the manuscript and deserves to be singled out. Anthony Lopez provided capable logistical support that maintained the targeted schedule. Their assistance has been greatly appreciated.

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