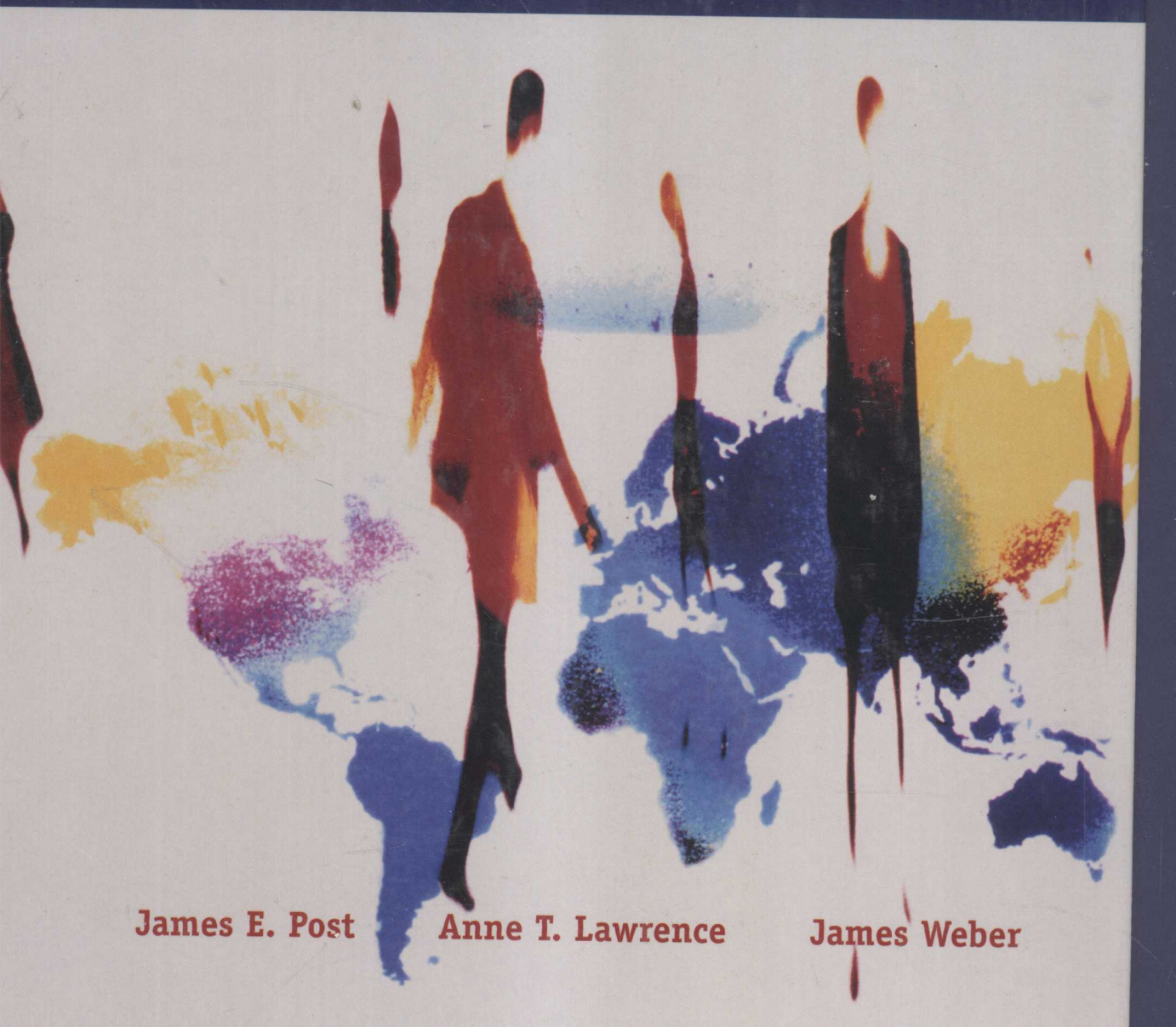


tenth edition

Business and **Society**

Corporate Strategy, Public Policy, Ethics



James E. Post

Anne T. Lawrence

James Weber

Tenth Edition

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Corporate Strategy, Public Policy, Ethics

James E. Post

Boston University

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Duquesne University

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Preface

The relationship between business and society continues to change in new and significant ways. In 2002, the global economy is an intricate web of social, political, and economic entities: advanced industrial nations, such as the United States, Japan, and Germany; emerging economies that are rapidly developing in Asia and Latin America; Eastern European economies that are free after decades of political repression; and countries that are still struggling to devise economic strategies that will help produce prosperity and an improved quality of life for their citizens.

The prosperity that accompanies economic growth is not shared equally among the countries in each group, however. Income, access to information, and quality of life are unevenly distributed. People with education tend to gain a larger share of wealth than those who lack schooling. Knowledge commands a premium in a world of new and powerful technologies, and education is a powerful source of economic advantage. People who understand the complex interplay of economic, political, and social forces are better able to comprehend the impact of globalization of markets, advances in science, and the changing relationships between humans and nature. We are called on to understand a complicated and rapidly changing world that would seem quite foreign to our grandparents and even our parents. In the midst of this social change, the realities of managing a business are also changing. Businesses have new roles and new responsibilities in the modern economy. Decisions are not made in the same ways as they were 10 or 20 years ago. The impact of business decisions is felt by more people, in more ways than in an earlier time. And because so many other things have changed in the new global economy, business leaders are required to think more carefully than ever about the effects of their actions on their company's employees, customers, suppliers, and investors. The actions of business are watched carefully by the media, government officials, and the communities in which business is conducted. In a very real sense, the world is watching as business executives chart their companies' future direction.

This new edition of *Business and Society* is about how we as stakeholders—managers, consumers, employees, and community members—try to understand, influence, and shape business behavior and social change. Consider these factors:

- Businesses in the United States and other nations are transforming the employment relationship, abandoning practices that once provided job security to employees, in favor of highly flexible but less secure forms of employment. This historic shift in the social contract is driven by complex economic, technological, and social factors.
- The restructuring and redesign of businesses has been driven by vigorous competition in global markets, pressure to improve the quality of products and services, and the creation of information networks that facilitate rapid transfer of

economic, social, and political information. Geography, technology, and time once protected companies and people from change. Today, those buffers are disappearing.

- Government policies toward individual industries and sectors of the economy have reshaped markets for goods and services. International trade policies are now critical to the competitive future of businesses everywhere and to the welfare of more than 6 billion people who inhabit the earth.
- Ecological and environmental problems have forced businesses and governments to take action. Crises, accidents, and better understanding of how human activities affect natural resources are producing a consensus that environmental protection must be achieved *with* economic growth if development is to be sustainable.
- Public concern is growing about the ethical and moral behavior of business executives and government officials. As standards change, businesses are challenged to understand new public standards and norms, adjust business practices, and reconcile sometimes conflicting ethical messages. Social values differ from country to country, a fact that challenges accepted notions of the moral order. Businesses often operate in nations whose people hold different values about the workplace and the marketplace.
- The challenge of corporate responsibility and ethical behavior is made more complex when companies conduct business in countries with different social and political cultures. Companies are challenged to function in a world community where great differences still exist between the wealthy and the poor.
- A host of new technologies has become part of the everyday lives of billions of the world's population. Advances in basic sciences—physics, biology, and chemistry—are stimulating extraordinary changes in agriculture, telecommunications, and pharmaceuticals. The media uses phrases such as *new economy*, *biotechnology revolution*, and the *information age* to convey some of the exciting possibilities that these scientific and technological developments promise. New industries emerge, and new approaches to living and working follow from these advances. But serious public issues also arise, as with genetically modified foods, cloned animals, or use of the Internet for pornographic and exploitative purposes.

This Book

This edition of *Business and Society* addresses this complex agenda of issues and their impact and influence on business and its stakeholders. The authors bring a broad background of business and society teaching, research, and case development to this endeavor. The development of this edition began by asking current users of the book to share their suggestions and insights with the author team. Many recommended changes are integrated into this new edition.

Since the 1960s, when Professors Keith Davis and Robert Blomstrom wrote the first edition of this book, *Business and Society* has maintained a position of leadership by discussing central issues of business performance in a form that students and faculty have found engaging and stimulating. The leadership of Professor Davis and Professor

William C. Frederick helped *Business and Society* to consistently achieve a high standard of quality and market acceptance in the field. Thanks to the authors' remarkable eye for the emerging issues that shape the organizational, social, and public policy environments in which students will soon live and work, the book has added value to the business education of many thousands of students.

The tenth edition of *Business and Society* builds on this legacy of market leadership by reexamining such central issues as the role of business in society, the nature of corporate responsibility, business ethics practices, and the complex roles of government and business in the global economic community. Examples of individuals and companies of all sizes illustrate the concepts, theories, and ideas for action in each topical area.

New Themes

The tenth edition also addresses important new themes in modern business and management education.

- The rise of *cross-disciplinary* teaching has created a need for books that span the breadth of business activity, including strategic and operational management. *Business and Society* helps meet this need by illustrating how all types of business decisions impact stakeholders within and outside the firm.
- Business schools are teaching today's students how to *manage across business functions*. This edition presents examples of companies that have managed social issues across the business functions in a strategic, stakeholder-oriented manner.
- The growth of the *Internet* and proliferation of *websites* create new opportunities for students and faculty to enrich courses with information drawn from a nearly infinite universe of sources. A list of useful websites is included at the end of each chapter, and many text references include Internet references.

Finally, *this is a book with a vision*. It is not simply a compendium of information and ideas. This edition of *Business and Society* articulates the view that in a global community, where traditional buffers against change no longer protect business from external change, managers *can* create strategies that integrate stakeholder interests, respect personal values, support community development, and are implemented fairly. Most important, these goals can be achieved while also being economically sound and successful. Indeed, they may be the *only* way to do so over the long term.

Acknowledgments

We are grateful for the assistance of many colleagues at universities in the United States and abroad who have made suggestions and shared ideas for this edition. We also note the feedback from students in our classes and from other colleges and universities that have helped make this book as user-friendly as possible.

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Finally, we wish to express a continuing debt of gratitude to Professors Keith Davis and William C. Frederick, who invited us into this project many years ago. Writing a textbook requires many different skills. Keith and Bill have been role models whose friendship, professionalism, and faith in each of us provides a continuing source of inspiration.

James E. Post
Anne T. Lawrence
James Weber

Introduction and Overview

The book is divided into parts that are organized around major themes. In this introduction, we explain the overall design of the book. Each chapter contains a number of pedagogical features designed to enhance student learning, including learning objectives, updated case examples, an end-of-chapter summary of key points, and new or updated discussion cases with questions. Additional materials are included in the Instructor's Resource Manual.

Part One: The Corporation in Society

Readers are introduced to the basic conceptual themes and ideas of the interaction of business and society. Chapter 1 introduces the corporation and its stakeholders and provides a focused way of understanding and mapping the relationships between an organization and its stakeholders. The chapter also discusses the central forces that are shaping business and society relations as we move into the new century. The role of the firm in its social, economic, political, and technological setting is discussed.

Chapter 2 introduces a strategic management approach that executives and organizations actually use in dealing with public issues. By understanding the distance, or gap, between corporate performance and stakeholder expectations, it is possible to follow the evolution of public issues through a normal life cycle. Business responses to public issues are discussed, with a close look at the corporate public affairs function and the development of issues management systems. The chapter concludes with a discussion of four basic strategies of response and how to manage an organization's stakeholder relations as a core part of a company's strategy.

Part Two: Business and the Social Environment

Chapter 3 discusses societal expectations that business will be successful and act in a socially responsible manner. This chapter looks at the evolution of corporate social responsibility and how the doctrine of corporate social responsibility is practiced by businesses around the world. The chapter also examines various limits to a firm's social obligations. Striking a balance among its economic, legal, and social responsibilities is a major challenge for today's business.

Chapter 4 describes how a socially responsive firm manages its relations with stakeholders. Firms must develop a social strategy that responds to environmental forces and expectations. This chapter provides a model for determining if a firm is acting in a socially responsive manner.

Part Three: Business and the Ethical Environment

Chapters 5 and 6 introduce the concept of business ethics. Learning how to recognize ethical issues and understanding their importance to business are emphasized in Chapter 5.

International efforts to curtail unethical practices are described. Chapter 6 focuses on business efforts to promote an ethical environment in the workplace. An ethical decision-making framework and ethical safeguards are discussed in this chapter.

Part Four: Business and Government in a Global Society

Chapter 7 discusses the changing role of government in the global economy. In many nations, government is a strategist for national economic growth and social welfare. The many roles and responsibilities of government in advanced industrial nations are examined, including regulatory processes and activities. The tactics of managing business–government relationships, in the regulatory and political arenas, are discussed in Chapter 8.

Chapter 9 revisits the century-old issue of antitrust in the context of today's rapid technological change and the globalization of markets. As the world economy has changed, policymakers have confronted new challenges in promoting free competition and curbing monopoly power.

Part Five: The Corporation and the Natural Environment

Chapters 10 and 11 address the ecological and natural resource issues that will reshape entire industries as the next century unfolds. Rapid population growth and the explosive development of many of the world's economies have placed new pressures on scarce resources. Water, air, and land pollution have created new constraints for business around the globe. These chapters explore both the challenges and the opportunities presented by the need to move to a more sustainable business model.

Part Six: Business and Technological Change

Business and society will be profoundly affected by a new age of scientific and technological change in the twenty-first century. We have expanded our coverage of these issues to two chapters to more thoroughly frame the issues for students.

Chapter 12 examines technology as a social force in our daily lives. The complex relationships between science, technology, business, and society are creating numerous ethical and political issues. The revolution in information management and the emergence of high-technology businesses will shape the careers of future managers in many powerful ways.

Chapter 13 focuses on how managers can address these complicated decisions. The sound management of technological change involves an understanding of the stakeholder impacts and risks, and the ethical, social, and political consequences that follow.

Part Seven: Responding to Stakeholders

The central concepts and themes discussed in earlier chapters are applied to managing relations with the corporation's primary stakeholders and to a number of emerging social issue areas.

Chapter 14 explores the changing roles and responsibilities of stockholders, managers, boards of directors, and other stakeholders in contemporary corporate governance. It also takes up the controversial debate over executive compensation.

Chapter 15 focuses on consumer protection, including such current topics as consumer privacy in the information age and product liability reform.

Chapter 16 examines the role of the corporation in the community. This chapter looks at business's role in the community, including new models of strategic philanthropy and community involvement. The role of business in education reform and community development is also discussed, as is the importance of corporate charitable giving and employee volunteerism to community life.

Chapter 17 focuses on the evolving employee–employer relationship. Governmental influences on this relationship from countries around the world are described in this chapter. Ethical challenges concerning employees' and employers' rights in the workplace are discussed.

Part Eight: Social Issues

This part focuses on three areas in which change has been, and seems likely to be, of long-term importance to business and society.

Chapter 18 addresses the special issue of diversity in the workplace. What does diversity mean in the modern workplace? What are its benefits, and how is it best achieved? This chapter also explores programs companies have developed to support working parents and eliminate sex discrimination.

Chapter 19 examines the role of media in society, the way that it has shaped business practice in the twenty-first century, and how we characterize groups of people in society. Examples of successful and unsuccessful business interaction with the media are discussed.

Chapter 20 focuses on the powerful long-term global changes that are reshaping the business world. The positive and negative influence of multinational corporations is addressed, as is the rising tide of antibusiness sentiment. The growth of ethnic, religious, and radical forces is shaping the global processes of commerce. The business challenge of acting responsibly, managing issues well, and living by ethical norms is the ultimate long-term challenge for today's students.

Cases

The tenth edition of this book features nine full-length case studies, including a number of new cases prepared especially for this edition. The cases are written to provide rich discussion material and present a variety of opportunities for instructors to connect topics raised in individual chapters.

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