Business and Society

A Managerial Approach

SIXTH EDITION

S I X T H E D I T I O N

BUSINESS AND SOCIETY

A Managerial Approach

Heidi Vernon
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BUSINESS AND SOCIETY: A MANAGERIAL APPROACH

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To Reed Lawrence Stiller in whom the first reader lives on

P R E F A C E

The sixth edition of *Business and Society: A Managerial Approach* is designed to help future managers successfully confront and deal with social issues into the new millennium. This book provides tools and builds skills essential to achieving corporate social goals.

Business and Society: A Managerial Approach is written for upper-level undergraduate and MBA students. Combining academic theory with real hands-on management concerns, it covers a wide range of topics and issues. Each instructor can decide which topics and approaches to emphasize. The book looks at social issues from a business policy/strategy perspective.

New Approaches

The Internet. The sixth edition integrates the use of the Internet in developing and discussing social issues. There are numerous references to web sites where students can find their own information and from which they can begin to surf the Net on their own.

Global Business. The current edition integrates global business issues, cultural issues, and concerns of multinational corporations into each chapter.

Cases. Many more cases appear in this edition than in previous editions. Each chapter begins with a case about a current event or situation that examines real company actions. Minicases are integrated throughout the text to tie together models, theory, and real-life experience. Students can compare their analyses of these cases before and after they have mastered the analytical tools contained in each chapter.

The Beta Pharmaceutical Company, introduced at the end of Chapter 2, continues as the integrative case. In each chapter, Beta's managers face a variety of new problems. Like the cases that introduce the chapters, Beta episodes are based on concerns real companies face daily. All relevant data are documented and taken from real-life situations. Some cases require top managers to take immediate action, while others allow more time for planning and strategy. Each case is followed by questions that help reinforce the case's important points.

This text guides students as they learn to identify social issues and their relevant stakeholders, to avoid crises whenever possible, and to effectively manage those crises that cannot be predicted or avoided. The book also teaches students how to integrate social issues and functional business-area strategies. It combines

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theory with pragmatic advice and examples of current corporate behavior.

Part I, "Strategic Management of Social Issues," contains six chapters that create the framework within which social issues are discussed throughout the book. It provides models, processes, and tools to help managers handle their social issues.

Chapter 1, "Business and Social Responsiveness," sets the stage by discussing demographic changes and business organization since the last edition was published in 1994. Governmental and political changes are critically important for businesses' decision making. This chapter also discusses the theory of capitalism to establish the ideological context for the book and looks at the historical development of the modern corporation. Chapter 1 stresses the strong linkages between business strategy and the economic, social, and political environments. After making the arguments for and against corporate social responsibility, it concludes—not surprisingly—that social responsibility is a mandatory, not a discretionary, activity. As in later chapters, frequently we address global issues.

Chapter 2, "Strategy Formulation," focuses on decision processes that help managers formulate strategies to achieve social and other business objectives. Macro- and microeconomic, macro- and microsocial, political and legal, and technological environmental forces all affect strategic analysis, the first stage of strategy formulation. The framework for strategy formulation includes the development of a mission statement, defining corporate objectives, making an internal assessment, environmental scanning and analysis, and making strategic choices.

Chapter 3, "Strategy Implementation," introduces the Stakeholder Influence Map (SIM). This matrix model helps identify stakeholders in a systematic way. The chapter analyses stakeholder activities according to their position inside or outside the firm, their interests in particular issues, the depth of their involvement, and their power to affect company strategy. Managing for social responsiveness is a hands-on managerial activity that includes identifying, classifying, and managing issues—and finally, evaluating corporate performance.

Chapter 4, "Crisis Management," discusses managerial strategies for identifying, handling, and resolving crises. The chapter begins with the Dow Corning and breast implants case, offering models for identifying stages in crisis situations. These models are then tied to the Prudential Securities Case and the *Exxon Valdez* disaster. Chapter 4 also makes recommendations for initiating crisis risk analysis and establishing programs to head off potential crises before they arise.

Chapter 5, "Ethics," begins with a discussion of the Barings Bank debacle. The chapter approaches ethics as a major issue to be managed within the company. It suggests ways for managers to make ethics more meaningful than a framed code on the wall. Chapter 5 offers standards and guidelines that increase the likelihood that ethics will be taken seriously by everyone in the firm.

Chapter 6, "The Origins of Big Business," is a topic rarely addressed in business and society books. It is included here because it is invaluable in setting the stage for the topics to come. This chapter discusses U.S. business ideology and links it to present-day management thought.

Part II, "Political and Community Responsiveness," covers the political and legal processes. It looks at ways companies can affect legislation and promote their agendas. Part II deals with the company's ability to conduct its affairs legally, to influence its political and regulatory environment in a positive fashion, and to act as a responsible citizen in the global community.

The discussion of regulation of the Internet is new to this edition. Legislation is just beginning to be written to control access and use of the Internet. Although U.S. courts are reluctant to

interfere with the First Amendment, other nations are not so closely bound by a constitution and impartial judiciary. This part also examines the deregulation of the telecommunications industry and the impact of new technologies on social issues.

In recent years philanthropic institutions have been scandal-ridden. United Way and New Era furnish excellent case examples of how good works and reputations can be destroyed by individual unethical behavior. Charity means different things to different cultures. Examples from other countries give a unique perspective to U.S. readers.

Part III, "Managing People and Social Issues," has three chapters that deal with the many issues that directly affect employees. Employees, and society as a whole, expect companies to provide physical, psychological, and economic support. Stakeholders also expect companies to create an environment in which employees perceive they are treated fairly and given opportunities to grow, meet challenges, and find satisfaction.

New concerns about employee privacy are challenging companies. Communication within and outside the company has changed since employees began to use E-mail. There is no doubt that the workplace is more stressful and that employees have less security than before. Many employees are as concerned about access to elder care as to child care.

Ideology about affirmative action has changed dramatically in the past few years. The Clinton administration and the Republican Congress continue to press their opposing views in court battles, the media, and regulatory agency activities. Sexual harassment, which gained visibility as an issue in the Anita Hill–Clarence Thomas case, continues to be a difficult issue to manage.

In 1996 and 1997, unions chose new leadership and begun major organizing campaigns. It is too soon to know what the impact will be in the United States. Union activity in Europe and in other countries takes different forms and relates to management in different ways.

Part IV, "Consumer Welfare," covers consumer information and product safety. The two chapters in this section discuss the evolution of the consumer movement, issues of information dissemination, product promotion, and the duties of the FDA and the FTC. Part IV also explores product safety, total quality management, ISO 9000 and ISO 14000, and the role of the Consumer Product Safety Commission.

Part V, "The Environment," has two chapters on the physical environment and the concluding chapter of the book. Governments, corporations, special interest groups, and individuals are concerned about problems of the shrinking ozone layer, toxic waste disposal, and disappearing rain forests even as they create and perpetuate the problems. Chapter 16 looks at issues of clean air, clean water, and the role of the Environmental Protection Agency in managing the environment. It traces the development of the electric car and the impact of more stringent environmental rules on business. Chapter 17 analyzes the effectiveness of international efforts to clean up the environment. It discusses the tension between policies that promote unfettered economic development and sustainable development.

The final chapter is set in Beta Corporation's boardroom as the company gets ready for its annual meeting. Many of the issues addressed in the preceding 17 chapters are important to Beta's board members.

Heidi Vernon

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PART

I STRATEGIC MANAGEMENT OF SOCIAL ISSUES

In the last few years of the 20th century, corporations face new economic and social challenges. It is more critical than ever before that managers meet these challenges with organized, comprehensive, and well-developed strategies. Universities and colleges, recognizing their responsibility to train managers of the future, are incorporating strategies for social issues management into their courses.

Part I of this book provides models, processes, and tools to help managers handle the social issues their companies encounter daily. The six chapters in Part I analyze the components of social responsiveness, strategy formulation, strategy implementation, crisis management, and ethics. The chapters provide the historical setting and context for the discussion of social issues and the analytical tools for integrating companies' social issues with their bottom-line business strategies.

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