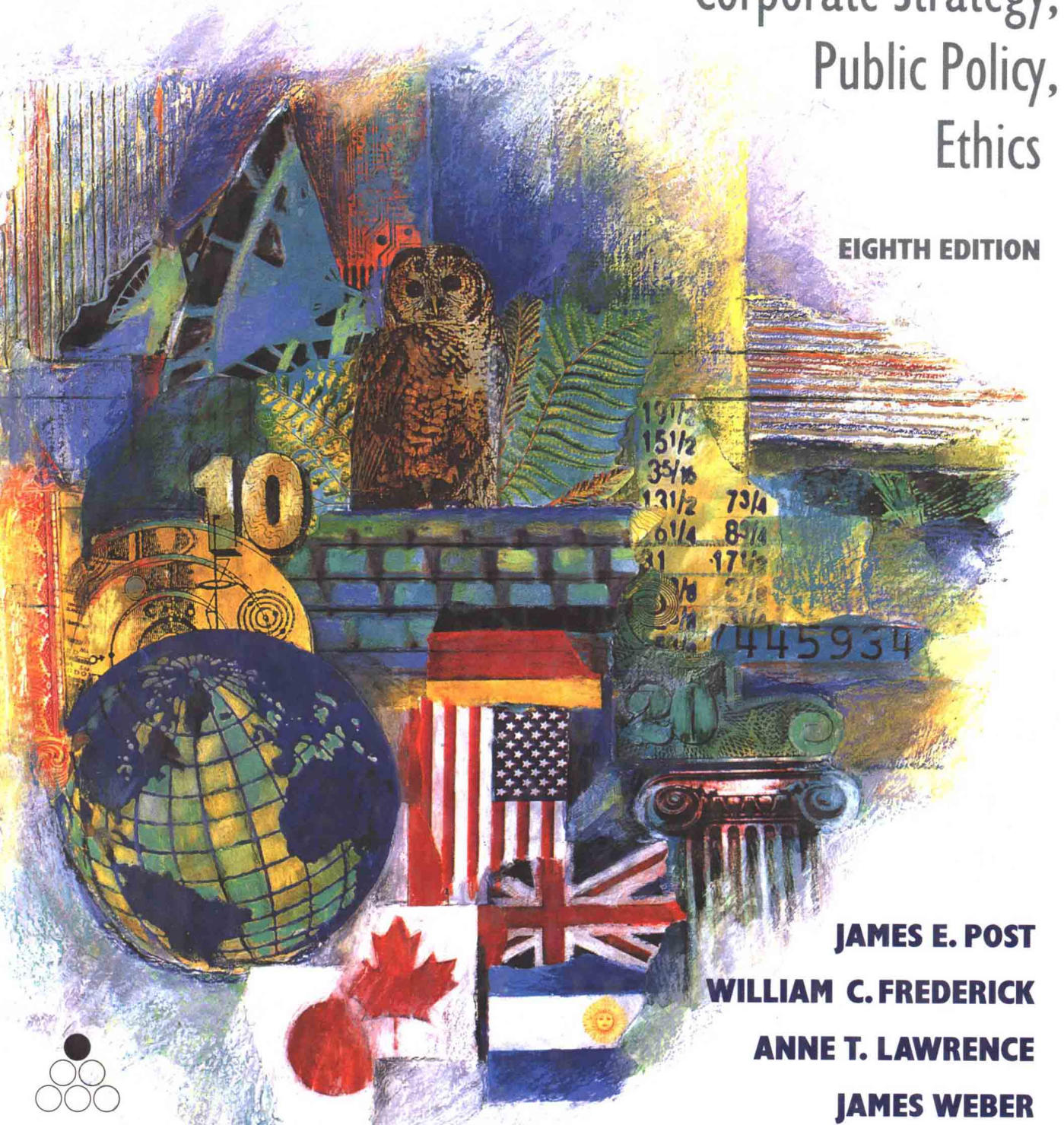


# BUSINESS AND SOCIETY

Corporate Strategy,  
Public Policy,  
Ethics

EIGHTH EDITION



**JAMES E. POST**  
**WILLIAM C. FREDERICK**  
**ANNE T. LAWRENCE**  
**JAMES WEBER**

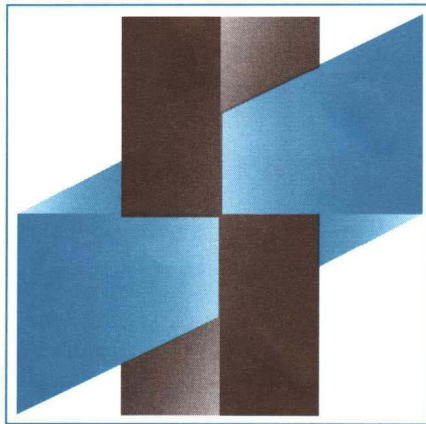


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**James E. Post**  
Boston University

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University of Pittsburgh

**Anne T. Lawrence**  
San Jose State University

**James Weber**

San Juan Singapore Sydney Tokyo Toronto

**To Keith Davis  
Author, Scholar, Friend**

**Pioneer and Creator of the First Edition  
of *Business and Society* Three Decades Ago**

**BUSINESS AND SOCIETY  
Corporate Strategy, Public Policy, Ethics**

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## ABOUT THE AUTHORS

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## PREFACE

As the world moves toward the twenty-first century, it is strikingly obvious that business operates within complex webs of social relationships. Broad societal forces have become so much a part of modern life that political revolution, global economic forces, and technological transformation of communications and financial transactions have produced networks of social relations that span the globe. Business is conducted—quite literally—twenty-four hours a day, every day, in every nation on earth. In every nation, human beings are affected, directly and indirectly, intentionally and unintentionally, by this extraordinary confluence of commerce and society. And because change produces more change, the prospect of yet greater transformation grows.

Today, the relationship between business and society is evolving in new and sometimes troubling ways:

- In the United States and other advanced nations, businesses are transforming the nature of the employment relationship, abandoning decades-long practices that provided job security to employees, in favor of highly flexible, but less secure, forms of employment.
- The restructuring and redesign of businesses have been driven by intense competition in global markets, continuous pressure to improve the quality of products and services, and information networks that facilitate rapid transfer of economic, social, and political information. The stability and protection that geography, technology, and time once provided are gone.
- Governmental policies toward individual industries and sectors of the economy have reshaped the marketplace for goods and services. Governmental policies toward trade are now critical to the competitive future of businesses everywhere, and to the social well-being of more than 5 billion people that now inhabit the earth.
- Ecological and environmental problems have been catapulted into prominence, forcing governments and businesses to take action. Crises, scientific research, and new knowledge of how normal human activities affect natural ecosystems are producing widespread concern that environmental protection must be integrated with economic growth if development is to be sustainable into the next century.
- Public concern has grown about the ethical and moral behavior of businesses and their employees. In many countries, corruption and

criminal behavior threaten civil society. As moral standards change, corporations are challenged to understand new ethical climates, adjust practices, and reconcile sometimes conflicting ethical messages.

- Companies are challenged to function as ethical actors in a world community where great differences exist in public values. Religious ferment, ethnic conflicts, and pressure to link human rights practices to trade policies are among the many values challenges confronting business in the mid-1990s.

The eighth edition of *Business and Society* is designed to address this complex agenda of issues and relationships. The development of this new edition began with an effort to build on the proven success of earlier editions. Recent adopters of the book shared their insights and thoughts with the author team, and many of the changes in this edition result from their advice.

The author team is diverse and experienced in the business and society field. Two new coauthors, Anne T. Lawrence and James Weber, add valuable experience and perspectives to the text. Professor Lawrence brings an extensive background of business and society teaching, research, and case development. Professor Weber, like Professor Lawrence, is a contributor of cases and other materials to earlier editions; his research and writing focuses on business ethics, managerial moral reasoning, and organizational values. Professor William C. Frederick is well known for his extensive work on business values and for his dedication to incorporating business ethics and business and society studies into the curricula of modern business schools. Professor James E. Post represents the third generation of business and society scholars to have guided the development of *Business and Society*. His current work focuses on business responses to community issues, management of the corporate public affairs function, and how companies are dealing with the ecological issues of sustainable development.

Since 1966, when Professors Keith Davis and Robert Blomstrom wrote the first edition, *Business and Society* has maintained a position of leadership by presenting the central issues of corporate social performance in a form that students and faculty have found engaging and stimulating. In each edition, the authors and publisher have sought to achieve high quality and market acceptance in the field by identifying the emerging issues that shape the organizational, social, and public policy environments in which students will soon live and work.

*Business and Society*, eighth edition, builds on this heritage of business and society leadership by examining such *classic* issues as the role of business in society, the nature of corporate responsibility, business ethics, and the complex roles of government and business in the global economic community. Throughout, examples of individuals and companies, large and small, facing these challenges illustrate concepts, theories, research studies, and ideas for each topic.

This edition also addresses *emerging* themes in modern business and society teaching and scholarship. For example, ecological and natural resources problems are becoming central to industry and challenging business and political leaders. In the face of serious ecological threats that accompany industrial activity, how can economic development—vital to the improved life of so many of the world's poor—become sustainable? In a world where time and geographic distance no longer provide a buffer against change, this text addresses how managers can create business strategies that respect the interests of stakeholders, support community development, respect personal values, and can be implemented fairly and be economically successful.

The major changes and improvements in this edition of *Business and Society* can be briefly summarized:

- **The text includes a discussion of the new social contract between employers and employees.** A profound shift has occurred in how employees relate to companies and how managers understand their responsibilities to employees and all stakeholders in the modern competitive environment. This is a critical theme for students to consider in the 1990s.
- **The discussion of global competition and its effects on companies, industries, and nations is incorporated throughout the book.** Important developments such as growth of the European Union, the creation of the North American Free Trade Agreement (NAFTA), and the creation of new international trade communities such as Mercosur (Argentina, Brazil, Paraguay, Uruguay) are discussed.
- **The dramatic shifts in public consensus about the proper role of government are examined in public policy chapters and throughout the book.** These developments, which have occurred in other nations and are now prominent in the United States, promise a major reassessment of which social institutions bear responsibility for addressing critical societal issues.
- **Reflecting the growing importance of ecological issues to businesses and nations, we have expanded our coverage of environmental policy issues.** The need for improved ways of harmonizing economic activity with sustainable environmental practices will create managerial challenges for many years to come. Two chapters now address a range of ecological issues and management responses to the environment.
- **A new chapter has been written on technology and the media.** As the promise of the information superhighway becomes reality, the convergence of technological advances with the central role of the media as a means of communicating about social change will become more central to our lives.
- **A new chapter dealing with such emerging social issues as im-**



**migration, violence, and urban revitalization has been added.** The importance of these issues and the likelihood of their continued significance have been central to the decision to develop this chapter.

- **New cases have been added but a number of classic cases favored by instructors and students have been retained.** Readers will notice a greater diversity of case materials. In addition to new cases prepared by the authors, we have also included several contributions from leading scholars at other universities.
- **Improved pedagogical features appear in each chapter.** Each chapter contains Key Questions and Chapter Objectives, Key Terms and Concepts, Summary Points linked to Key Questions and Chapter Objectives, and a Discussion Case keyed to the chapter's major themes. Illustrative figures help explain major points and are supplemented by boxed exhibits intended to illuminate especially important perspectives.
- **The color format and improved artwork not only enhance the book's attractiveness but also focus attention on major discussion points.** The excellent quality of the design and art serves to enhance the learning process for students.
- **Supplementary materials have been expanded.** The Instructor's Manual has been completely revised, with an expanded test bank and additional teaching resource materials. A McGraw-Hill video package is also available for use with the book.

## ACKNOWLEDGMENTS

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This edition has benefited from the skill and collaboration of many professionals. We are pleased to acknowledge the excellent case studies prepared by Jeanne Logsdon (University of New Mexico), Margaret J. Naumes (University of New Hampshire), and William Naumes (University of New Hampshire).

For reading portions of the manuscript and offering suggestions for improvement, we thank Ruth Milkman (University of California, Los Angeles), Diana Roose (Oberlin College), Kenneth D. Roose (American Council on Education, retired), Randall Stross (San Jose State University), and the following reviewers: Leslie Connelly, University of Central Florida; Craig P. Dunn, San Diego State University; Joseph W. Ford, Iona College; John F. Hulpke, California State University–Bakersfield; Roy B. Johnson, Appalachian State University; Edwin C. Leonard, Jr., Indiana University–Purdue University at Fort Wayne; Kenneth R. Mayer, Cleveland State University; Nina Polok, University of Colorado–Colorado Springs; and Paul L. Wilkens, Florida State University.

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Textbooks describe the central ideas in a field of study. For this reason, we wish to acknowledge the work of colleagues at colleges and universities in the United States and abroad. Of particular note are the members of the Social Issues in Management division of the Academy of Management, members of the Society for Business Ethics, and members of the International Association for Business and Society (IABS). They are largely responsible for producing the research data and theoretical insights that undergird the study of business and society relations. We hope that we have captured the essence of their work and reflected the continuing efforts of hundreds of scholars who are striving to create a coherent field of knowledge.

The McGraw-Hill editorial team has provided a continuing commitment to publishing excellence. We thank Lynn Richardson, management editor, Dan Alpert, senior associate editor, Annette Bodzin, project supervisor, and Kerime B. Toksu, copyeditor, for their assistance. It has been a pleasure to work with each of them.

James E. Post  
William C. Frederick  
Anne T. Lawrence  
James Weber

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# INTRODUCTION AND OVERVIEW

In this introduction, we explain the overall design of the book, which is divided into seven major parts and a group of case studies. Each chapter displays several common features designed to enhance student learning, and these are explained, along with additional design elements of the book.

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## PART ONE: THE CORPORATION IN SOCIETY

Students are introduced to the basic conceptual themes and ideas of the interaction of business and society. Chapter 1 introduces the corporation, its stakeholders, and the role of the firm in its social and political setting. Major forces shaping business and society relations as the twenty-first century approaches are introduced. Chapter 2 describes various models and theories of corporate social responsibility and examines the relationship between voluntary corporate behavior and legally required actions. Chapter 3 discusses the socially responsive behavior of business in a changing social and political environment. This chapter also examines the corporate organizational structures and programs that have been created to respond to a changing social environment.

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## PART TWO: THE CORPORATION AND ETHICAL ISSUES

Chapters 4 and 5 introduce the ethical concepts, theories, and practical actions that guide business behavior. Importantly, these chapters stress the worldwide ethical responsibility of corporations and of the people who make decisions in those organizations.

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## PART THREE: THE CORPORATION IN A GLOBAL SOCIETY

Chapters 6 and 7 focus on the powerful changes that are reshaping the business world of the late twentieth century. The influence of multina-

tional corporations, the failure of communism, the emergence of market economies, and the rise of ethnic, religious, and radical forces in the geopolitical world are all influencing global commerce.

#### **PART FOUR: THE CORPORATION AND PUBLIC POLICY**

---

Chapters 8 through 10 discuss the changing role of government in the global economy, especially its role as a strategist for national economic growth and social welfare. The many roles and responsibilities of government in advanced industrial nations are explored in comparative form, and the essential roles of governments in developing and newly industrialized countries are also discussed. Corporate political action, regulatory processes, and the new rethinking of government's proper role are examined. Chapter 10 introduces students to the special issues of competition policy, antitrust, and national competitive strategies.

#### **PART FIVE: THE CORPORATION AND THE NATURAL ENVIRONMENT**

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Chapters 11 and 12 address the ecological and natural resource issues that have influenced corporate behavior in recent times and are certain to reshape entire industries as the next century unfolds. Population growth, resource depletion, and the mismanagement of scarce global resources are the seeds of complex social and political forces that will inevitably require corporations to adjust to new realities in the economic, social, and political environment.

#### **PART SIX: RESPONDING TO PRIMARY STAKEHOLDERS**

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The central concepts and themes discussed in earlier chapters are applied to a variety of the corporation's primary stakeholders and to a number of emerging policy areas. Chapter 13 looks at the arena of corporate governance and the powers of ownership in a world of both individual and institutional stockholders. Chapter 14 focuses on consumers and the challenges of consumer protection in the modern global marketplace. Chapter 15 examines employment and workplace issues, including employee-employer relations and trends in extending equal employment opportunity to all. Chapter 16 addresses the special needs, issues, and requirements of women, men, and families in the modern workplace.

## **PART SEVEN: SOCIAL ISSUES IN MANAGEMENT**

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The role of the corporation in the community is examined in Chapter 17, including the role of business in education reform, the importance of charitable contributions, and the place of employee volunteerism in community life. Chapter 18 is a new chapter that examines the complex relationships between science, technology, and the media in the so-called age of information. If the information superhighway does emerge, as experts believe it will within the next decade, the careers of future managers will be inextricably entwined with its capabilities. This technological transformation of business and society will alter the role of the media and limit the ability of companies to operate without regard for stakeholders who can readily acquire and share information.

Chapter 19 concludes by dealing with a number of emerging issues and examining the standards of global citizenship that leading corporations are creating as the twentieth century closes. Corporate responses to issues such as violence and the socioeconomic underclass are also addressed.

## **CASE STUDIES IN CORPORATE SOCIAL POLICY**

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Ten full-length cases are included in this section. They represent a wide variety of business and society issues that call for responsible corporate social policies. Included are product recalls, doing business across national and cultural boundaries, industrial accidents, environmental issues and responses, community activism, public-private partnerships, ethical dilemmas, and others. These cases represent a range of responses by corporations to changing social and political issues, including positive corporate social performance as well as less desirable outcomes. These case studies can be used in any order by instructors. Each case is linked to two or more chapters in the text.

## **LEARNING FEATURES OF EACH CHAPTER**

---

**Preview Paragraph:** The first page of each chapter contains a short paragraph giving a condensed introduction to that chapter's content.

**Key Questions and Chapter Objectives:** Five or six key questions outline the major issues explored in the chapter.

**Opening Examples:** Each chapter begins with one or more examples that illustrate the issues, problems, or major themes discussed.

**Illustrative Examples:** Throughout each chapter, color-highlighted examples from the actual world of business emphasize the relevance of the chapter's concepts to business operations.

**Figures:** Graphic figures and tables are integrated into the textual material to illustrate relationships and to condense detailed information.

**Exhibits:** From one to three boxed and color-highlighted exhibits are included in most chapters to reinforce major points by demonstrating their relevance to actual business operations.

**Summary Points:** The chapter's major content is summarized in several condensed points at the end of each chapter. Each of these summary points matches the Key Questions and Chapter Objectives that appear at the beginning of the chapter.

**Key Terms and Concepts:** The terms and concepts most important for understanding the chapter's content are listed. For easy identification and review, each of these terms and concepts is printed in **boldface**.

**Discussion Case:** Each chapter ends with a short case that illustrates the chapter's major themes and demonstrates their application in the business world. Discussion Questions accompany each Discussion Case.

## **OTHER LEARNING FEATURES**

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**Glossary:** A list of technical terms used in the text, together with their definitions, appears after the case studies at the end of the book. This glossary can be used by students to review key meanings as they read through the text and before examinations.

**Bibliography:** A select bibliography is included for each of the seven major parts of the book. These books and articles can be consulted for additional information, diverse points of view, preparing term papers, and studying for examinations.

**Indexes:** A name index and a subject index are included to aid in finding a specific topic or person in the text and case studies.

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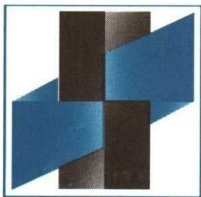
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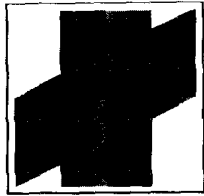
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