Ninth Edition

BUSINESS AND SOCIETY

Corporate Strategy, Public Policy, Ethics

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Anne T. Lawrence
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Business and Society

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Dedication

To William C. Frederick

Scholar, Mentor, Colleague, Friend

Founder of the field, researcher, and coauthor of
Business and Society **fourth through eighth editions**

division of the Academy of Management with the Best Paper Award in 1989 and 1994. He is a member of and has served as division and program chair of the Social Issues in Management division of the Academy of Management; he has also served as president and program chair of the International Association of Business and Society (IABS). In addition, he is a member of and has served in various leadership roles in the Society for the Advancement of Socio-Economics (SASE) and the Society for Business Ethics.

Preface

The relationship between business and society is changing in new and profound ways. At the beginning of the twenty-first century, the global economy is an intricate landscape of social, political and economic entities: highly advanced industrial nations such as the United States, Japan, and Germany; emerging economies 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 such growth is not shared equally among the countries in each group. Income and quality of life are unevenly distributed. People with education tend to gain a larger share of a nation's 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 well-being. People who understand the complex interplay of economic, political, and social forces are better able to appreciate the impact of globalization of markets, advances in science, and the changing relationships between humans and nature. As we enter a new century, we are called to understand a very complicated and rapidly changing world. 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 once again 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 provided buffers that protected companies and people from change. Today, those buffers are disappearing.

- Government policies toward individual industries and sectors of the economy have shaped and reshaped markets for goods and services. International trade policies are now critical to the competitive future of businesses everywhere and to the well-being of more than 5 billion people that now 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 is 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, which challenges accepted notions of the moral order. Business executives must operate in many nations whose people hold very 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 very different social and political cultures. Companies are challenged to function in a world community where great differences still exist. For example, China's role as a powerful economic and political actor has produced conflict in light of the country's unwillingness to conform to Western views of human rights. Human rights advocates pressure governments to link trade policies to human rights, while others argue that unfettered trade with China will eventually produce a freer, more democratic Chinese society.

- A host of new technologies have 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 superlatives such as *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 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 ninth 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

This 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,* ninth edition, helps meet this need by illustrating how all types of business decisions impact stakeholders within and outside the firm.

- Business schools often teach 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 the proliferation of *World Wide Web sites* creates new opportunities for students and faculty to enrich courses with information drawn from a nearly infinite universe of sources. A list of useful Web sites is included at the end of each chapter, and many text references include Web site references.

This is a book with a vision. It is not simply a compendium of information and ideas. This ninth 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.

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Finally, we wish to acknowledge the support and inspiration of Keith Davis and Bill Frederick, two pioneers in the business and society field, whose legacy of intellectual and editorial leadership we proudly continue in this edition.

James E. Post
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Introduction and Overview

The book is divided into parts that are organized around major themes. In this introduction, we explain the overall design. Each chapter contains a number of common featues designed to enhance student learning.

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 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, and political setting is discussed.

Chapter 2 introduces a strategic management approach that executives use in dealing with public issues. By understanding the relationship between stakeholder expectations and corporate performance, 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 crisis management and ways to strategically manage an organization's stakeholder relations.

Part Two   Business and the Social Environment

Chapter 3 discusses public expectation that business will act in a socially responsible manner. This chapter looks at how corporate social responsibility is practiced around the world and the various limits to a firm's social obligations. Balancing its economic, legal, and social responsibilities is a major challenge for modern businesses.

Chapter 4 describes how a socially responsive firm manages its relations with stakeholders. Firms must address environmental forces before shaping a successful social strategy. 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.

Chapter 7 focuses on the powerful global changes are reshaping the business world. The influence of the multinational corporation, demise of communism, emergence of market economies, and the rise of ethnic, religious, and radical forces in the geopolitical world are all shaping the global processes of commerce. The business challenge of acting responsibly, managing issues well, and living by ethical norms is clearly developed for students.

Part Four   Business and Government in a Global Society

Chapters 8 and 9 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 is also discussed.

Chapter 10 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 11 and 12 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   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 13 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 14 focuses on consumer protection, including such current topics as the social dimensions of advertising, product liability reform, and recent business efforts to use new technologies to communicate more effectively with their customers. It also explores issues of consumer privacy in the new information age.

The role of the corporation in the community is examined in Chapter 15. The chapter looks at business's role in the community, addressing such issues as education reform. The importance of corporate giving, charitable contributions, and employee volunteerism to community life are also discussed.

Chapter 16 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 Seven   Social Issues   Chapter 17 addresses the special issue of women at work. Where do women work? To what extent have women moved into the ranks of top management, and do women as a group manage differently than men? This chapter also explores programs companies have developed to support working parents and eliminate sex discrimination.

Chapter 18 is a new chapter that examines technology as a social force. The complex relationships between science, technology, and society are creating numerous ethical and political issues for business. If the information superhighway emerges as experts believe it will, the careers of future managers will be inextricably tied to its features. Technological advances in many other fields promise equally complicated decisions for managers and companies. Business and society will be profoundly affected by this new age of science and technological change.

Case Studies in Corporate Social Policy

The 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 across individual chapters.

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