

BUSINESS
STRATEGY, ETHICS, AND THE
GLOBAL ECONOMY
SOCIETY

Second Edition

ALFRED A. MARCUS

SECOND EDITION

BUSINESS AND SOCIETY

Strategy, Ethics, and the Global Economy

Alfred A. Marcus

*University of Minnesota
Carlson School of Management*

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BUSINESS AND SOCIETY

Strategy, Ethics, and the Global Economy

To my family—

My wife, Judy; my sons, David and Ariel; my mother, Alice;
and to the memory of my father, James (1912-1992)

May each generation learn:

“What is the right path that a person should choose?
That which honors the person and brings honor from humankind.”

PREFACE

The challenges that businesses face are strategic in nature. They require leadership, the capacity to align the firm with the social forces that affect it, and vision, the ability to provide a sense of purpose for the firm and its stakeholders. The challenges pertain to values and the relationship of the corporation to society, government and global competition, energy and the physical environment, and the social and legal effects of technology. This book examines the strategic decisions managers have to make and illustrates them with numerous cases and real-world examples. Among the cases designed to provoke thoughtful discussion about dilemmas that managers confront are the following:

- A unique series evaluating companies such as Wal-Mart, Phillip Morris, ADM, and 3M as investment risks.
- A special series on the Republican Party's Contract with America.
- A case on a self-proclaimed socially responsible firm similar to Anita Roddick's Body Shop (see "Transforming the Soul of Business").
- A new case on the electric vehicle (EV) industry as a response to California's air quality standards.
- The book has numerous ethical vignettes that relate to the experiences of managers, plus

several revised on updated cases on companies such as Dayton Hudson and Ceridian.

The chapters provide key conceptual tools and background information that readers need to analyze the cases. Each chapter has at least one case that follows it, and some have mini-cases and real-world examples in the text. The academic tone in this edition has been modified for better acceptance.

The second edition has benefited from the feedback of readers and reviewers. It has:

- 31 full-length cases, as opposed to 15 in the original volume.
- New chapters and revisions of old chapters with an increased focus on tools managers can use and situations and problems that businesses have encountered.
- Increased coverage of Japan's troubled economy.
- An update on the economy of a unified Germany, and how it is affecting the rest of Europe.
- A discussion of the rebound of the U.S. economy and whether it can be sustained.
- A new chapter on the need for ethics, with developments in the U.S. Sentencing Code and a description of one company's ethics program.

- Expanded coverage of corporate politics and U.S. trade policy.
- Increased emphasis on corporate downsizing and change.

This book is especially strong with respect to cases dealing with the automotive, computer and electronic, and retailing industries. Environmental management (eco-management) continues to get in-depth coverage, while the energy chapter concentrates on the period of the Gulf War and its aftermath. Technological changes, new product introductions, and the social and legal factors affecting them remain key themes.

The Book's Focus

Even with these changes, important continuities exist between the first and second editions of this book. The main emphases continue to be:

1. *Ethics and Public Policy.* The standard ethics and public policy topics treated in business and society courses are found in this book: the debate about social responsibility, corporate governance, business and politics, the historic relationship between business and government, mergers and acquisitions, women, minorities, consumerism, and poverty.
2. *The World Economy.* This book addresses business practice throughout the globe—a requisite for any modern business and society text. It has comparative material on Japan; the European nations, including the former Soviet bloc countries that are trying to introduce free market economies; the oil-producing countries of the Middle East; the dynamic nations of the Pacific Rim; and developing states such as India.
3. *Natural Resource and Environmental Issues.* The treatment of natural resource and environmental issues is comprehensive and up-to-date. The book views these issues in an international context and in light of global competitiveness. Principles related to ethics and the proper sphere of markets and government are applied in chapters on energy and environmental issues.
4. *The Impact of Technology.* This book gives extensive treatment to technology, from which managers

should be able to derive many practical ideas. The impacts of technology on society are considered, and the tort system, which has had such a profound impact on business practice in recent years, is explained in a way that is meaningful to managers.

Additional Features

Additional features that make this book distinctive are the following:

Social Responsibility and World Economic Changes. The discussion of world economy extends to sections on ethics and social responsibility and law and public policy. From the outset, the connection is made between social responsibility, individual values, and economic growth. The international dimension is included with a discussion of the Lockheed bribery scandal and corporate governance in the Japanese firm.

Normative and Social Psychological Approaches to Ethics and Social Responsibility. The approach to ethics and social responsibility is not just normative; it is social-psychological. Some of the important literature in this area (e.g., Milgram and Kohlberg) is summarized. An individual and organizational context is provided for ethical dilemmas in the corporation.

Historical Dimensions of Normative Ethics. A clear historical discussion of normative ethics is given with extensive development from the classical writings; the deontological (rights-based) tradition of Kant is contrasted with teleological concepts from modern utilitarianism; political philosophy is covered in the works of the founders of the American republic and contemporaries such as Rawls and Nozick; a critique of both deontological and teleological traditions is made from the perspective of modern analysts such as Freud who stressed the role of passions and instincts in governing human behavior.

The Rationale for Government. In this era of diminished expectations about the capabilities and reduced means for government worldwide to accomplish worthy

objectives, students are given a perspective on the role that economists believe governments should play and the actual roles governments have played in economic development; the theme of contrasting normative economic theory with actual behavior is taken up repeatedly throughout the book. For example, the theory of the firm proposed by economists (agency theory) is contrasted with actual firm behavior observed by management scholars (behavioral theory).

Different Views on the Appropriate Government Role. Three different views on the appropriate role of government—the traditional liberal, the contemporary liberal, and the neoconservative—are contrasted with updates on the developments in contemporary ideologies; insights are provided about the conservative views of recent American administrations and about the controversy surrounding industrial policies that are supposed to make the U.S. economy more competitive internationally.

The Performance of the U.S. Economy in International Competition. How well the U.S. economy is doing in international competition is considered; its strengths and weaknesses in comparison with Japan and other nations are discussed in light of recent debates about free trade.

Comparative Performance of Nations. Several of the world's economies are discussed in light of values, government policies, and the international market orientation that is necessary for growth.

Reasons for the Rise of Economies. While many of the economies in the world have declined since 1973, some countries, (e.g., South Korea and Taiwan) have seen exceptional growth; reasons for this growth and whether it can be sustained are examined.

The Importance of the Natural World and the Environment. This book explicitly recognizes the importance of the natural world in providing businesses with essential raw materials (from nature) and in being a receptacle for the waste generated during production and

consumption (to nature); the role governments and markets play in energy and environmental policy is emphasized in relation to the application of earlier concepts about the appropriate role for governments, markets, and individual values.

International and Comparative Aspects of Energy and Environmental Problems—Ethical and Managerial Dimensions. The international and comparative aspects of energy and environmental issues are stressed with sections on developments in Europe, Japan, and the United States; the ethical issue is considered in relation to the environmental movement and the challenges it poses to business; the discussion of these environmental issues ends with a list of actions managers can take.

The Role of Technology in Creating the Conditions for Economic Growth. The important role of technology in creating the conditions for economic growth and prosperity is taken up with emphasis on international competition (e.g., competition with Japanese technology) and the obstacles to bringing any new idea to fruition; few other texts explicitly consider the important role of technology and technological innovations that are transforming the U.S. and world economy.

The Problem of Managing Technological Risks. The impacts on people of new technologies are considered; how society and the corporation manage the potential danger of technological risks is dealt with in sections on controversial topics such as the risks of everyday life and the value of a human life.

Legal and Liability Aspects of New Product Development—The United States and Other Countries Compared. The legal and liability aspects of product development and technological innovation in the United States and Japan are discussed, and students are asked to consider different proposals that have been made for reforming the tort liability system in the United States.

Alfred A. Marcus

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A. A. M.

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