BUSINESS • AND ITS ENVIRONMENT



DAVID · P · BARON

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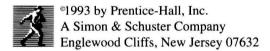
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BUSINESS AND ITS ENVIRONMENT

To Mary

PREFACE

The environment of business is composed of market and nonmarket components. In their market environment, firms interact with customers, suppliers, employees, and other firms. The market environment is shaped by the nonmarket environment, which includes the policies of government, pressures from activists and interest groups, and the force of ethical principles. Similarly, activities in the market environment generate issues that are addressed in the nonmarket environment. The field of business and its environment is concerned with the interrelationships between the market and nonmarket environments and with effective means of dealing with issues that arise therein.

This book focuses on nonmarket issues that impact the performance of firms and on approaches for effectively participating in the processes governing their resolution. The book thus does not take a public policy perspective but instead adopts the perspective of managers responsible for the performance of their firms. The approaches emphasize analysis and reasoning as the foundations for strategies for improving that performance. Rather than surveying the broad range of issues affecting firms, the emphasis is on central issues and the institutions that address them. For example, instead of surveying the international environment of business, the nonmarket environments of Japan and the European Community are considered in some detail.

The approach taken to these issues is not to tell readers what to think or how to act but instead to provide methods of analysis and institutional background so that readers may reason for themselves about issues. This is appropriate because the environment of business is constantly changing and prescriptions that are appropriate today may be inappropriate in the future. In contrast, methods of analysis and frameworks for reasoning about issues are more general and more durable. Moreover, many of the issues that arise in the environment of business are sufficiently complex that simple prescriptions are poor substitutes for careful analysis. In addition, when normative and ethical issues are involved, people may differ in their judgments about appropriate courses of action. What serves managers best in the long run is being able to reason thoroughly and thoughtfully about issues and to develop strategies for addressing them that are both responsible and improve performance.

This approach places considerable responsibility on the reader to decide which actions to take and which policies to adopt in a particular situation. Because of the

complexity of issues and the diversity of perspectives held by individuals, discovery through discussion is a central part of the learning process. To provide vehicles for that discovery, each chapter includes several short cases that are integrated with the text. The cases provide an opportunity to explore issues in more depth and in more complex settings.

Most of the cases are short. They are intended to engage the reader quickly, and to provide only that descriptive detail necessary to apply the chapter material. The cases are not intended to provide exemplary lessons or descriptions of current practice but instead to pose a managerial problem that requires analysis and a course of action. The cases typically are set at the point at which the firm must make a decision, develop a policy, or formulate a strategy.

The book is organized in five parts. Part I introduces the nonmarket environment of business and the types of issues that firms face. It considers the evolution of nonmarket issues, including such forces as the media and activist and interest groups, which affect that development. A framework is presented for organizing the analysis of issues and the formulation of strategies for addressing them.

Part II is concerned with issues addressed in the context of government institutions with an emphasis on legislatures. An approach to analyzing the politics of issues is developed based on the ability of interest groups to generate political pressure and on the structure of governmental institutions. The emphasis is then on the formulation and implementation of strategies for addressing political issues that directly affect firms and shape their market and nonmarket environments. The framework developed in this part provides a foundation for Parts III and IV.

Part III focuses on the interactions between government and markets with an emphasis on antitrust, regulation, liability, and environmental protection. The approach to these subjects combines the perspective developed in Part II with theories of the relationships among governments, firms, and markets. The principal institutions considered are the courts and regulatory agencies. The issue of product safety is used to introduce the liability system and to contrast judicial and regulatory approaches to controlling hazards and risks.

Part IV is explicitly international and focuses on Japan, the European Community, and international trade policy. The chapters provide frameworks for understanding the institutional structure and the relationships between business and government in those settings. International trade policy is considered because it shapes the international environment of business and because it serves to integrate the study of issues that involve more than one country.

Part V is explicitly normative and considers issues involving the responsibilities of firms and the guidance that ethics provides managers. Corporate social responsibility is considered, and the nature and extent of that responsibility is argued to be found in ethical principles. Ethical systems and ethical reasoning about managerial issues are then considered, and the guidance that firms provide their employees on these dimensions is addressed. The book concludes with chapters on ethical issues that arise in the employment relationship and in international business.

Courses in this field take a variety of forms, serve a number of purposes, and cover a diverse set of topics. The book recognizes this variety and is organized to serve a number of course designs. A course that focuses on social issues can be built on Parts I and V with selections from the other parts to include topics such as product safety, environmental protection, legislative activity, and international business. A course that focuses on business and government can be built on the first four parts. A course that addresses both normative and business—government issues can use Parts I, II, and V, with selections from Parts III and IV.

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