

This International Student Edition is for use outside of the U.S.



SEVENTEENTH EDITION

# Business and Society

Stakeholders, Ethics, Public Policy

Anne T. Lawrence | James Weber | Vanessa D. Hill | David M. Wasieleski

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## BUSINESS AND SOCIETY

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## About the Authors

### **Anne T. Lawrence**      *San José State University*

**Anne T. Lawrence** is professor of management emerita at San José State University. She holds a PhD from the University of California, Berkeley, and completed two years of postdoctoral study at Stanford University. Her articles, cases, and reviews have appeared in many journals, including the *Academy of Management Review*, *Case Research Journal*, *Business & Society*, *Journal of Management Education*, *California Management Review*, *Business and Society Review*, *Research in Corporate Social Performance and Policy*, and *Journal of Corporate Citizenship*. Her cases in business and society have been reprinted in many textbooks and anthologies. She served as guest editor of the *Case Research Journal*. She served as president of the North American Case Research Association (NACRA) and is a Fellow of NACRA, from which she received a Distinguished Contributor Award in 2014. She received the Curtis E. Tate Award for Outstanding Case of the Year (1998, 2009, and 2015). At San José State University, she was named Outstanding Professor of the Year in 2005. In 2015, she received a Master Teacher in Ethics Award from The Wheatley Institution at Brigham Young University. She founded and currently serves as chair of the board of the Case Research Foundation.

### **James Weber**      *Duquesne University*

**James Weber** is the Rev. Martin Hehir, C. S. Sp. Endowed Chair in Scholarly Excellence and a professor of management and business ethics at Duquesne University, where he also serves as the managing director of the Albert P. Viragh Institute for Ethics in Business. He holds a PhD from the University of Pittsburgh and has taught at the University of San Francisco, University of Pittsburgh, and Marquette University. His areas of interest and research include personal, managerial, and organizational values and

cognitive moral reasoning. His work has appeared in *Organization Science*, *Human Relations*, *Business & Society*, *Journal of Business Ethics*, and *Business Ethics Quarterly*. He received the SIM Sumner Marcus Award for lifetime contribution to the Social Issues in Management division of the Academy of Management in 2013. He was recognized by the Social Issues in Management division with the Best Paper Award in 1989 and 1994 and received the Best Article Award from the International Association for Business and Society (IABS) in 1998. He has served as division chair of the Social Issues in Management division of the Academy of Management. He has also served as president of the IABS and is currently president of the IABS Fellows.

## **Vanessa D. Hill** *University of Louisiana at Lafayette*

**Vanessa D. Hill** is an associate professor of management at the B.I. Moody III College of Business Administration, University of Louisiana at Lafayette. She earned her PhD from Carnegie Mellon University and has taught at the University of Arizona and Winthrop University. She holds two professional certifications in Human Resource Management: the Senior Certified Professional (SHRM-SCP) by the Society of Human Resource Management and the Senior Professional in Human Resources (SPHR) by the Human Resource Certification Institute. Her research interests include corporate social responsibility, business ethics, leadership, and workplace values. Her work has been published in several journals including *Business and Society Review*, *Journal of Business Ethics*, *Journal of Management History*, *page iv* and *Journal of Management Inquiry*. She is an associate editor for *Business and Society Review* and serves on the editorial review boards for the journals *Business & Society* and *The Journal of Business Ethics*. She served as president of the International Association of Business and Society (IABS) and was inducted as an IABS Fellow in 2018.

## **David M. Wasieleski** *Duquesne University*

**David M. Wasieleski** (PhD, University of Pittsburgh) is the Albert P. Viragh Professor of Business Ethics in the Palumbo-Donahue School of Business at Duquesne University and executive director of the Albert P. Viragh Institute for Ethics in Business at Duquesne. David also is an affiliate research professor at the ICN Business School in Nancy, France. His academic



research focuses on natural science approaches to understanding ethical decision-making and the formation of social contracts within organizational contexts. He also studies the effects of cognitive biases and moral intensity on perceptions of ethical issues. His work has been published in *Business & Society*, *Business Ethics Quarterly*, *Organization & Environment*, *Journal of Applied and Behavioral Sciences*, and the *Journal of Business Ethics*. At Duquesne, he teaches business ethics, organizational behavior, management, and sustainability. Currently, he is editor-in-chief of *Business and Society Review*. He served as chair of the Social Issues in Management division of the Academy of Management and current serves as president of the U.S. chapter of the International Humanistic Management Association.

# Preface

In a world economy that is becoming increasingly integrated and interdependent, the relationship between business and society is becoming ever more complex. The globalization of business, the emergence of civil society organizations in many nations, and rapidly changing government regulations and international agreements have significantly altered the job of managers and the nature of strategic decision-making within the firm.

At no time has business faced greater public scrutiny or more urgent demands to act in an ethical and socially responsible manner than at the present. Consider the following:

- The global calamity of the coronavirus pandemic focused renewed attention on the roles of governments; pharmaceutical, biotechnology, and medical equipment companies; and civil society organizations in solving urgent public health problems. How should newly invented vaccines, medical treatments, and protective equipment be equitably distributed among the world's nations and across vast divides of wealth and income? Governments faced the task of how best to mobilize and incentivize the private sector to tackle one of the biggest challenges of a generation. And the ravages of the pandemic forced many businesses to weigh the delicate balance between their intellectual property rights and the urgent demands of millions threatened by a previously unknown disease. Many business leaders pondered to what extent their organizations bore responsibility for the health of their employees, customers, and the wider community.
- A host of new technologies have become part of the everyday lives of billions of the world's people. Advances in the basic sciences are stimulating extraordinary changes in medicine, agriculture, telecommunications, and transportation, which have the potential to enhance peoples' health and quality of life. Artificial intelligence can be used to drive vehicles, diagnose illnesses, and manage investments.

Technology has changed how we interact with others, bringing people closer together through social networking, instant messaging, and photo and video sharing. These innovations hold great promise. But they also raise serious ethical issues, such as those associated with the use of the Internet to exploit or defraud others, censor free expression, or invade individuals' privacy. Businesses must learn to harness powerful technologies for good, while acting responsibly and ethically toward their many stakeholders.

- Businesses in the United States and other nations are transforming the employment relationship, abandoning practices that once provided job security and guaranteed pensions in favor of highly flexible but less secure forms of employment. The rise of the “gig” economy has transformed many workers into self-employed contractors. Many jobs, including those in the service sector, are being outsourced to the emerging economies of China, India, and other nations. As jobs shift abroad, multinational corporations are challenged to address their obligations to workers in far-flung locations with widely different cultures and to respond to calls for voluntary commitments to enlightened labor standards and human rights. The burgeoning movement for racial justice has once again raised the critical issue of equity and inclusion in society. The #MeToo movement has focused a spotlight on sexual harassment and abusive behavior and led to the fall of well-known executives and media personalities and calls for change in workplace culture.
- Severe weather events—wildfires, hurricanes, and floods—have urgently focused attention on the human impact on natural systems, prompting both businesses and governments to act. An emerging consensus about page vi the causes and risks of climate change is leading many companies to adopt new practices, and once again the nations of the world have experimented with public policies designed to limit the emissions of greenhouse gases, most notably in the Paris Agreement. Many businesses have cut air pollution, curbed solid waste, and designed products and buildings to be more energy-efficient, saving money in the process. A better understanding of how human activities affect natural resources is producing a growing understanding that economic growth must be achieved in balance with environmental protection if development is to be sustainable.

- Many regions of the world and its nations are developing at an extraordinary rate. Yet, the prosperity that accompanies economic growth is not shared equally. Access to health care, adequate nutrition, and education remain unevenly distributed among and within the world's nations, and inequalities of wealth and income have become greater than they have been in many years. These trends have challenged businesses to consider the impact of their compensation, recruitment, and professional development practices on the persistent—and in some cases, growing—gap between the haves and the have-nots. Big corporate tax cuts in the United States have required companies to decide whether to distribute their windfalls to their executives, shareholders, employees, or customers; to invest in new jobs; or to buy back stock.
- In many nations, legislators have questioned business's influence on politics. Business has a legitimate role to play in the public policy process, but it has on occasion shaded over into undue influence and even corruption. Technology offers candidates and political parties new ways to reach out and inform potential voters, but it has also created new opportunities for manipulation of the electoral process through deceptive messaging. Political violence and attacks on electoral processes have prompted some firms to question their campaign contributions and their roles in protecting democratic institutions. Businesses the world over are challenged to determine their legitimate scope of influence and how to voice their interests most effectively in the public policy process.

The new Seventeenth Edition of *Business and Society* addresses this complex agenda of issues and their impact on business and its stakeholders. It is designed to be the required textbook in an undergraduate or graduate course in Business and Society; Business, Government and Society; Social Issues in Management; or the Environment of Business. It may also be used, in whole or in part, in courses in Business Ethics and Public Affairs Management. This new edition of the text is also appropriate for an undergraduate sociology course that focuses on the role of business in society or on contemporary issues in business.

The core argument of *Business and Society* is that corporations serve a broad public purpose: to create value for society. All companies must make a profit for their owners. Indeed, if they did not, they would not long survive. However, corporations create many other kinds of value as well. They are

responsible for professional development for their employees, innovative new products for their customers, and generosity to their communities. They must partner with a wide range of individuals and groups in society to advance collaborative goals. In our view, corporations have multiple obligations, and all stakeholders' interests must be considered.

## A Tradition of Excellence

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 corporate social performance in a form that students and faculty have found engaging and stimulating. The leadership of the two founding authors, and later of Professors William C. Frederick and James E. Post, helped *Business and Society* to achieve page vii a consistently high standard of quality and market acceptance. Thanks to these 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.

*Business and Society* has continued through several successive author teams to be the market leader in its field. The current authors bring a broad background of business and society research, teaching, consulting, and case development to the ongoing evolution of the text. We are especially pleased that two new authors, Vanessa D. Hill and David M. Wasieleski, have come on board for this edition. With an expanded author team, the new Seventeenth Edition of *Business and Society* builds on its legacy of market leadership by reexamining such central issues as the role of business in society, the nature of corporate responsibility and global citizenship, business ethics practices, and the complex roles of government and business in a global community.

## For Instructors



For instructors, this textbook offers a complete set of supplements.



## Instructor Library

The Connect Management Instructor Library is a repository for additional resources to improve student engagement in and out of class. The instructor can select and use any asset that enhances their lecture. The Connect Instructor Library includes an extensive instructor's resource manual—fully revised for this edition—with lecture outlines, discussion case questions and answers, tips from experienced instructors, and extensive case teaching notes. A computerized test bank (Test Builder) and PowerPoint slides for every chapter are also provided.

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## For Students

*Business and Society* has long been popular with students because of its lively writing, up-to-date examples, and clear explanations of theory. This textbook has benefited greatly from feedback over the years from thousands of students who have used the material in the authors' own classrooms. Its strengths are in many ways a testimony to the students who have used earlier generations of *Business and Society*.

The new Seventeenth Edition of the text is designed to be as student-friendly as always. Each chapter opens with a list of key learning objectives to help focus student reading and study. Numerous figures, exhibits, and real-world business examples (set as blocks of colored type) illustrate and elaborate the main points. A glossary at the end of the book provides definitions for bold-faced and other important terms. Internet references and a

full section-by-section bibliography guide students who wish to do further research on topics of their choice, and subject and name indexes help students locate items in the book.



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- Jordan Cunningham, Eastern Washington University

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## New for the Seventeenth Edition

Over the years, the issues addressed by *Business and Society* have changed as the environment of business itself has been transformed. This Seventeenth Edition is no exception, as readers will discover. Some issues have become less compelling and have been replaced by others on the business agenda, while others have endured through the years.

The Seventeenth Edition has been thoroughly revised and updated to reflect the latest theoretical work in the field and statistical data, as well as recent events. Among the new additions are:

- New discussion of theoretical advances in stakeholder theory, corporate citizenship, public affairs management, public and private regulation, Earth systems trends, corporate governance, sustainability reporting, social investing, reputation management, business partnerships, supply chain codes of conduct, social entrepreneurship, corporate philanthropy, and crisis management.
- Treatment of practical issues, such as artificial intelligence and robotics, gender diversity, the movement for racial justice, ransomware and

cybercrime, political advertising and campaign contributions, public and media relations, the latest developments in the regulatory environment in which businesses operate, and the impact of the coronavirus pandemic on the relationships between businesses and their workers, customers, and suppliers.

- New full-length cases and Discussion Cases on such timely topics as Boeing’s 737 MAX crisis, discrimination at Starbucks’ airport shops, Nestlé and child labor in the cocoa supply chain, trade disputes with China in the mobile phone industry, 3M and the distribution of personal protective equipment during the COVID-19 pandemic, GM’s carbon neutrality goals, workers’ efforts to unionize at Amazon, the Vale Mining Company dam collapse in Brazil, the risks to users of popular online trading apps like Robinhood, China’s “social credit” system, the debate over restaurant “gratuity included” tipping policies, and employment discrimination based on peoples’ names.

Finally, this is a book with a vision. It is not simply a compendium of information and ideas. The new edition of *Business and Society* articulates the view that in a global community, where traditional buffers 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, businesses can achieve these goals while also being economically successful. Indeed, this may be the *only* way to achieve economic success over the long term.

*Anne T. Lawrence*

*James Weber*

*Vanessa D. Hill*

*David M. Wasieleski*

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*Anne T. Lawrence*

*James Weber*

*Vanessa D. Hill*

*David M. Wasieleski*



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