## Business and Society



Stakeholders, Ethics, Public Policy

Fifteenth Edition

Anne T. Lawrence

San José State University

**James Weber** 

Duquesne University



## **Contents**

PART ONE BUSINESS IN SOCIETY 1	Stakeholder Dialogue 40 Stakeholder Networks 40 The Parafite of Engagement 41
CHAPTER 1	The Benefits of Engagement 41 Summary 42
	Key Terms 42
The Corporation and Its Stakeholders 2	Internet Resources 42
Business and Society 4	Discussion Case: Coca-Cola's Water Neutrality
A Systems Perspective 4	Initiative 43
The Stakeholder Theory of the Firm 5	
The Stakeholder Concept 7	CHAPTER 3
Different Kinds of Stakeholders 8	Corporate Social Responsibility
Stakeholder Analysis 10	and Citizenship 45
Stakeholder Interests 12	-
Stakeholder Power 12	Corporate Power and Responsibility 47
Stakeholder Coalitions 14	Corporate Social Responsibility and Citizenship 4
Stakeholder Salience and Mapping 15	The Origins of Corporate Social Responsibility 49
The Corporation's Boundary-Spanning	Balancing Social, Economic, and Legal
Departments 18	Responsibilities 52
The Dynamic Environment of Business 19	The Corporate Social Responsibility Debate 52
Creating Value in a Dynamic Environment 21	Arguments for Corporate Social Responsibility 52
Summary 21	Arguments against Corporate Social
Key Terms 22	Responsibility 56
Internet Resources 22	Management Systems for Corporate Social
Discussion Case: Insuring Uber's App-On Gap 22	Responsibility and Citizenship 58
	Stages of Corporate Citizenship 60
CHAPTER 2	Assessing and Reporting Social Performance 63
Managing Public Issues and Stakeholder	Social Audit Standards 63
Relationships 24	Social Reporting 64
Duklia Iranga 25	Summary 66
Public Issues 25	Key Terms 66
Environmental Analysis 27	Internet Resources 67
Competitive Intelligence 29 Stakeholder Materiality 30	Discussion Case: Corporate Social Responsibility
The Issue Management Process 31	at Gravity Payments 67
Identify Issue 32	CHARTER A
Analyze Issue 33	CHAPTER 4
	Business in a Globalized World 70
Generate Options 33 Take Action 34	The Process of Globalization 71
Evaluate Results 34	Major Transnational Corporations 72
Organizing for Effective Issue Management 35	International Financial and Trade Institutions 73
Stakeholder Engagement 36	The Benefits and Costs of Globalization 76
Stages in the Business–Stakeholder Relationship 36	Benefits of Globalization 76
Drivers of Stakeholder Engagement 38	Costs of Globalization 77
The Role of Social Media in Stakeholder	Doing Business in a Diverse World 79
Engagement 39	Comparative Political and Economic Systems 80
200	*

Global Inequality and the Bottom of the Pyramid 83	Other Functional Areas 120
Collaborative Partnerships for Global Problem	Making Ethics Work in Corporations 121
Solving 85	Building Ethical Safeguards into the Company 121
A Three-Sector World 85	Corporate Ethics Awards and Certifications 126
Summary 87	Ethics in a Global Economy 127
Key Terms 87	Efforts to Curtail Unethical Practices 128
Internet Resources 87	Summary 130
Discussion Case: Intel and Conflict Minerals 88	Key Terms 130
	Internet Resources 130
DADT TWO	Discussion Case: Alcoa's Core Values in
PART TWO	Practice 131
BUSINESS AND ETHICS 91	
CHAPTER FIVE	PART THREE
Ethics and Ethical Reasoning 92	BUSINESS AND PUBLIC POLICY 133
· ·	
The Meaning of Ethics 93	CHAPTER SEVEN
What Is Business Ethics? 94 Why Should Business Be Ethical? 95	<b>Business–Government Relations</b> 134
Why Ethical Problems Occur in Business 99	How Business and Government Relate 135
Personal Gain and Selfish Interest 99	Seeking a Collaborative Partnership 136
Competitive Pressures on Profits 100	Working in Opposition to Government 136
Conflicts of Interest 100	Legitimacy Issues 137
Cross-Cultural Contradictions 101	Government's Public Policy Role 137
The Core Elements of Ethical Character 102	Elements of Public Policy 138
Managers' Values 102	Types of Public Policy 140
Spirituality in the Workplace 103	Government Regulation of Business 142
Managers' Moral Development 104	Market Failure 142
Analyzing Ethical Problems in Business 106	Negative Externalities 142
Virtue Ethics: Pursuing a "Good" Life 106	Natural Monopolies 143
Utility: Comparing Benefits and Costs 107	Ethical Arguments 143
Rights: Determining and Protecting Entitlements 108	Types of Regulation 143
Justice: Is It Fair? 109	The Effects of Regulation 147
Applying Ethical Reasoning to Business Activities 109	Regulation in a Global Context 152
Summary 110	Summary 153
Key Terms 111	Key Terms 154
Internet Resources 111	Internet Resources 154
Discussion Case: Chiquita Brands: Ethical	Discussion Case: Should E-Cigarettes Be
Responsibility or Illegal Action? 111	Regulated? 154
CHAPTER SIX	CHAPTER EIGHT
Organizational Ethics 113	Influencing the Political Environment 157
Corporate Ethical Climates 114	Participants in the Political Environment 158
Business Ethics across Organizational	Business as a Political Participant 159
Functions 116	Influencing the Business-Government

Accounting Ethics 116

Financial Ethics 116

Marketing Ethics 118

Information Technology Ethics 120

Relationship 160

Corporate Political Strategy 160

Promoting an Information Strategy 161

Political Action Tactics 161

Promoting a Financial-Incentive Strategy 165 Promoting a Constituency-Building Strategy 170	The Ecologically Sustainable Organization 219 Sustainability Management in Practice 219
Levels of Political Involvement 173	Environmental Auditing and Reporting 221
Managing the Political Environment 174	Environmental Partnerships 222
Business Political Action: A Global Challenge 175	Sustainability Management as a Competitive
Summary 177	Advantage 222
Key Terms 177	Cost Savings 223
Internet Resources 178	Brand Differentiation 224
Discussion Case: Stop Online Piracy Act—A	Technological Innovation 224
Political Battle between Old and New Media 178	Reduction of Regulatory and Liability Risk 225 Strategic Planning 225
	Summary 227
PART FOUR	Key Terms 227
BUSINESS AND THE NATURAL	Internet Resources 227
ENVIRONMENT 181	Discussion Case: Hydraulic Fracturing—Can the Environmental Impacts Be Reduced? 228
CHAPTER NINE	
Sustainable Development and Global	PART FIVE
Business 182	
Business and Society in the Natural Environment 184	BUSINESS AND TECHNOLOGY 231
Sustainable Development 185	CHAPTER ELEVEN
Threats to the Earth's Ecosystem 185	The Role of Technology 232
Forces of Change 186	
The Earth's Carrying Capacity 189	Technology Defined 233
Global Environmental Issues 191	Phases of Technology in Society 234
Climate Change 191	Fueling Technological Growth 235
Ozone Depletion 194	The Role of Technology in Society 236
Resource Scarcity: Water and Land 194	The Internet 236
Decline of Biodiversity 196	The Digital Divide in the United States
Threats to Marine Ecosystems 197	and Worldwide 239
Response of the International Business	Mobile Telephones 240
Community 198	Social Networking 241  The Impact of Scientific Breakthroughe 242
Codes of Environmental Conduct 200	The Impact of Scientific Breakthroughs 242
Summary 202	Genetically Engineered Foods 242
Key Terms 202	Sequencing of the Human Genome 244 Biotechnology and Stem Cell Research 245
Internet Resources 202	The Role of Technology in Business 246
Discussion Case: Clean Cooking 203	E-Business 247
CHAPTER TEN	Transforming Prevailing Business Models 247
Managing for Sustainability 205	The Use of Robotics at Work 248
Role of Government 207	Ethical Challenges Involving Technology 250
Major Areas of Environmental Regulation 207	The Loss of Privacy 250 Free Speech Issues 251
Major Areas of Environmental Regulation 207  Alternative Policy Approaches 212	Summary 252
Costs and Benefits of Environmental	Key Terms 252
Regulation 216	Internet Resources 252
Managing for Sustainability 218	Discussion Case: How Safe Is Your Personal
Stages of Corporate Environmental Responsibility 218	Information? 252

Information Technology Challenges for Governments and Businesses 258 Government Interventions of Information and Ideas 259 Government Internet Censorship and Control 259 Government Acquisition of Information to Protect the Public Good 261 Government Protecting Individuals' Rights and Property 262	Securities and Exchange Commission 295 Information Transparency and Disclosure 295 Insider Trading 296 Shareholders and the Corporation 298 Summary 298 Key Terms 299 Internet Resources 299 Discussion Case: Whole Foods Adopts Egalitarian Compensation Policies—But Fights Back on Board
Business Access to and Use of Confidential Information 263 Access to Stakeholders' Personal Information 263	Elections 299
Special Issue: Cybercrime—A Threat to Organizations and the Public 265	CHAPTER FOURTEEN Consumer Protection 302
Costs of Cybercrime 266 Exploring Why Hackers Hack 267 Business Responses to Invasions of Information Security 269 The Chief Information, Security, Technology Officer 271 Government Efforts to Combat Cybercrime 272 Summary 273 Key Terms 274 Internet Resources 274 Discussion Case: Sony Pictures and North Korean Hackers 274  PART SIX	The Rights of Consumers 304 Self-Advocacy for Consumer Interests 304 Reasons for the Consumer Movement 306 How Government Protects Consumers 307 Goals of Consumer Laws 307 Major Consumer Protection Agencies 309 Special Issue: Consumer Privacy in the Digital Age 312 Using the Courts and Product Liability Laws 315 Strict Liability 315 Product Liability Reform and Alternative Dispute Resolution 317 Positive Business Responses to Consumerism 318 Managing for Quality 318 Voluntary Industry Codes of Conduct 320
BUSINESS AND ITS STAKEHOLDERS 277	Consumer Affairs Departments 320 Product Recalls 320
CHAPTER THIRTEEN Shareholder Rights and Corporate Governance 278 Shareholders around the World 279	Consumerism's Achievements 321 Summary 322 Key Terms 322 Internet Resources 322 Discussion Case: Lumber Liquidators' Laminate Flooring 322
Who Are Shareholders? 280 Objectives of Stock Ownership 282	CHAPTER FIFTEEN
Shareholders' Legal Rights and Safeguards 282 Corporate Governance 283	Employees and the Corporation 325
The Board of Directors 283 Principles of Good Governance 285 Special Issue: Executive Compensation 287 Shareholder Activism 291 The Rise of Institutional Investors 292	The Employment Relationship 327 Workplace Rights 327 The Right to Organize and Bargain Collectively 328 The Right to a Safe and Healthy Workplace 329 The Right to a Secure Job 332

Social Investment 293 Shareholder Lawsuits 294

Interests 295

Government Protection of Shareholder

**CHAPTER TWELVE** 

Technology 256

**Regulating and Managing Information** 

Special Issue: Wages and Income Inequality 335	Environmental Issues 379
Privacy in the Workplace 336	Supply Chain Risk 380
Electronic Monitoring 337	Private Regulation of the Business-Supplier
Romance in the Workplace 338	Relationship 381
Employee Drug Use and Testing 339	Supply Chain Auditing 384
Alcohol Abuse at Work 340	Supplier Development and Capability Building 387
Employee Theft and Honesty Testing 341	Summary 391
Whistle-Blowing and Free Speech in the	Key Terms 391
Workplace 341	Internet Resources 391
Employees as Corporate Stakeholders 343	Discussion Case: Apple's Supplier Code of Conduct
Summary 344	and Foxconn's Chinese Factories 392
Key Terms 344	
Internet Resources 344	CHAPTER EIGHTEEN
Discussion Case: The Ugly Side of Beautiful	
Nails 344	The Community and the Corporation 394
	The Business-Community Relationship 396
CHAPTER SIXTEEN	The Business Case for Community Involvement 397
Managing a Diverse Workforce 347	Community Relations 399
The Changing Face of the Workforce 348	Economic Development 400
Gender and Race in the Workplace 350	Housing 400
Women and Minorities at Work 350	Aid to Minority, Women, and Disabled Veteran-Owned
The Gender and Racial Pay Gap 351	Enterprises 400
Where Women and Persons of Color Manage 353	Disaster, Terrorism, and War Relief 401
Breaking the Glass Ceiling 354	Corporate Giving 402
Women and Minority Business Ownership 357	Forms of Corporate Giving 405
Government's Role in Securing Equal Employment	Priorities in Corporate Giving 407
Opportunity 357	Corporate Giving in a Strategic Context 408
Equal Employment Opportunity 357	Measuring the Return on Social Investment 410
Affirmative Action 359	Building Collaborative Partnerships 411
Sexual and Racial Harassment 359	Summary 413
What Business Can Do: Diversity and Inclusion	Key Terms 414
Policies and Practices 361	Internet Resources 414
Balancing Work and Life 364	Discussion Case: Fidelity Investments' Partnership
Child Care and Elder Care 364	with Citizen Schools 414
Work Flexibility 365	
Summary 367	CHAPTER NINETEEN
Key Terms 368	The Public and Corporate Reputation 417
Internet Resources 368	The Labite and Corporate Reputation 417
Discussion Case: Unauthorized Immigrant Workers	The General Public 419
at Chipotle Mexican Grill Restaurants 368	What Is Reputation? 419
	Why Does Reputation Matter? 421
CHAPTER SEVENTEEN	The Public Relations Department 422
Business and Its Suppliers 371	Using Technology-Enhanced Channels for Public Relations 423
Suppliers 373	Brand Management 424
Social, Ethical, and Environmental Issues in Global	Crisis Management 425
Supply Chains 376	Engaging Key Stakeholders with Specific
Social Issues 376	Tactics 428
Ethical Issues 377	Executive Visibility 428

User-Generated Content 430
Paid Content 431
Event Sponsorship 432
Public Service Announcements 433
Image Advertisements 433
Summary 435
Key Terms 435
Internet Resources 435
Discussion Case: JPMorgan Chase's #AskJPM 436

## CASES IN BUSINESS AND SOCIETY 439

- 1. After Rana Plaza 440
- 2. Google and the Right to Be Forgotten 451
- 3. General Motors and the Ignition Switch Recalls 461
- 4. Sustainability at Holland America Line 471

- 5. The Carlson Company and Protecting Children in the Global Tourism Industry 480
- 6. Ventria Bioscience and the Controversy over Plant-Made Medicines 489
- 7. Moody's Credit Ratings and the Subprime Mortgage Meltdown 500
- 8. The Upper Big Branch Mine Disaster 513
- 9. Carolina Pad and the Bloggers 523

Glossary 536
Bibliography 549
Indexes
Name 554
Subject 558