

LEARNING GUIDE

iDEAL
eLibrary

iDEAL
eLibrary



BUS 201
Business and Society

NETed™
Empowering Global Education

All rights reserved. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system without written permissions from the publisher, except of the inclusion of brief quotation in a review

Copyright© 2007 by NETed iDEAL E-Library

1 2006 Version 2.1

Last Updated on: Jan 2007

TABLE OF CONTENTS

	Page Number
Unit One	
Chapter 1: The Corporation and Its Stakeholders	1
Chapter 2: Public Affairs management	13
Chapter 3: Corporate Social Responsibility	27
Chapter 4: Corporate Citizenship	39
Unit 1 Examination	51
Unit Two	
Chapter 5: Ethical Issues in Business	58
Chapter 6: Ethical Reasoning and Corporate Programs	70
Chapter 7: The Challenges of Globalization	82
Chapter 8: Business-Government Relations	94
Unit 2 Examination	108
Unit Three	
Chapter 9: Influencing the Political Environment	115
Chapter 10: Antitrust, Mergers and Competition Policy	127
Chapter 11: Ecology and Sustainable Development in Global Business	139
Chapter 12: Managing Environmental Issues	151
Unit 3 Examination	163

	Page Number
Unit Four	
Chapter 13: Technology: A Global Economic-Social Force	171
Chapter 14: Managing Technological Challenges	183
Chapter 15: Stockholder Rights and Corporate Governance	195
Chapter 16: Consumer Protection	207
Unit 4 Examination	219
Unit Five	
Chapter 17: The Community and the Corporation	226
Chapter 18: Employees and the Corporation	238
Chapter 19: Managing a Diverse Workforce	250
Chapter 20: Business and the Media	262
Unit 5 Examination	274
Final Examination	281

CHAPTER ONE

The Corporation and Its Stakeholders

Learning Objectives:

Upon successful completion of this chapter, you should be able to:

1. Describe the connection between business and society.
2. Explain the concept of systems perspective of business and society.
3. Explain the stakeholder theory of the firm.
4. Explain the types of stake holders.
5. Explain the market shareholders of business.
6. Distinguish the features of market and non-market stakeholders.
7. Illustrate the aspects of stakeholder interests and power.
8. Explain stakeholder coalitions.
9. Describe the engagement of stakeholders.
10. Demonstrate the dynamic environment of business.

Business firms are organizations that are engaged in making a product or providing a service for a profit. **Society** refers to human beings and to the social structures, they collectively create. Business is part of society and engages in ongoing exchanges with its external environment. Together, business and society form an **interactive social system** in which the actions of each profoundly influence the other.

According to the **stakeholder theory of the firm**, the purpose of the modern corporation is to create value for all of its stakeholders. A **stakeholder** refers to persons or groups that affect, or are affected by, an organization's decisions, policies, and operations.

Two types of stakeholders are market stakeholders and non-market stakeholders. Market stakeholders are those that engage in economic transactions with the company as it carries out its primary purpose of providing society with goods and services. Employees, stockholders, customers, suppliers, retailers/wholesalers and creditors belong to market stakeholders. Non-market stakeholders are people or groups that are affected by or can affect a firm's actions. Communities, activist groups, media, business, support groups, governments and the general public belong to non-market stakeholders.

Every business firm has economic and social relationships with others in society. Some are intended, some unintended; some are positive, others negative. Stakeholders are all those who affect, or are affected by, the actions of a firm. Some have a market relationship with the company, and others have a non-market relationship with it.

Stakeholders can exercise their economic, political, and other powers in ways that benefit or challenge the organization. Stakeholders may act independently or create coalitions to influence the company. Managers must learn how to engage interactively with stakeholders to create mutually beneficial outcomes. Positive relationships with stakeholders can create value.

A number of broad forces shape the relationship between business and society. These include changing societal and ethical expectations; redefinition of the role of government; a dynamic global economy; ecological and natural resource concerns; and the transformational role of technology. To deal effectively with these changes, corporate strategy must address the expectations of all of the company's stakeholders.

READINGS**1. (Read page 4 Business firm):**

The instrumental argument in the stakeholder theory says that companies perform better if they consider the rights and concerns of _____ groups in society.

2. (Read page 5 Stakeholder theory of the firm):

According to the stakeholder theory of the firm, the purpose of the modern corporation is to create value for all of its_____.

3. (Read page 5 Interactive social system):

Together, business and society form an _____ social system in which the actions of each profoundly influence the other.

4. (Read page 7 Stakeholder Theory of the Firm):

Strong _____ between a corporation and its stakeholders are assets that add value.

5. (Read pg 14 Stakeholder):

Stakeholders involved with one part of a company often may have little or no _____ with another part of a company.

6. (Read page 16 stakeholder)

Interactive stakeholder relationships are a source of _____ for a firm.

7. (Read page 17 Market and Non-market Stakeholders):

The _____ environment of business is dynamic and ever changing.

8. **(Read pages 17 Stakeholder Analysis and Engagement):**

According to the text, _____ issues have become more prominent and important for business.

9. **(Read page 18 Dynamic Environment of Business):**

A successful business must meet its Economic and _____ objectives.

10. **(Read page 18 Dynamic Environment of Business):**

Harnessing human imagination to create new approaches to the concerns of modern society is an example of _____.

KEY TERMS

- Business (pg 4)
- General systems theory (pg 4)
- Interactive social system (pg 5)
- Ownership theory of the firm (pg 5)
- Society (pg 4)
- Stakeholder (pg 7)
- Stakeholder market and no market (pg 7-8)
- Stakeholder analysis (pg 10)
- Stakeholder coalitions (pg 14)
- Stakeholder dialogue (pg 16)
- Stakeholder engagement (pg 16)
- Stakeholder interests (pg 11)
- Stakeholder power (pg 11)
- Stakeholder theory of the firm (pg 5)

Match the Key Term to its Definition.

Key Terms	Key Definitions - Jumbled	Ans
1. Business	a) A theory that holds that all organisms are open to, and interact with, their external environments	<input type="checkbox"/>
2. General systems theory	b) An organization or organizations that produce and distribute goods and services for society	<input type="checkbox"/>
3. Interactive social system	c) The closely intertwined relationships between business and society	<input type="checkbox"/>
4. Ownership theory of the firm	d) Human beings and the Social structures they collectively create	<input type="checkbox"/>
5. Society	e) A theory that holds that the purpose of the firm is to maximize returns to shareholders.	<input type="checkbox"/>
6. Stakeholder	f) A person or group that affects, or is affected by, a corporation's decisions, Policies, and operations.	<input type="checkbox"/>

MATCHING EXERCISE - II

Match the Key Term to its Definition.

Key Terms	Key Definitions - Jumbled	Ans
1. Stakeholder analysis	a) An analytic process used by managers that identifies the relevant stakeholders in a particular situation and considers their interests, power, and likely coalitions	<input type="checkbox"/>
2. Stakeholder coalitions	b) Face to face conversations between representatives of a company and its stakeholders about issues of common concern.	<input type="checkbox"/>
3. Stakeholder dialogue	c) Temporary unions of a company's stakeholder groups in order to express a common view or achieve a common purpose on a particular issue	<input type="checkbox"/>
4. Stakeholder engagement	d) An ongoing process of relationship building between a business and its stakeholders	<input type="checkbox"/>
5. Stakeholder power	e) A theory that holds that the purpose of the firm is to create value for all of its stakeholders.	<input type="checkbox"/>
6. Stakeholder theory of the firm	f) The ability of one or more stakeholders to achieve a desired outcome in their interactions with a company. The four types of voting power, economic power, political power, and legal power	<input type="checkbox"/>

Multiple Choice Questions:

1. The key to business survival is _____.
 - a) The ability to adapt effectively to changing conditions
 - b) Integrating new technologies into existing business processes
 - c) Having effective employee/manager relations
 - d) Having quality products

2. A firm subscribing to the ownership theory would be concerned with providing value for its _____.
 - a) Shareholders
 - b) Customers
 - c) Board of Directors
 - d) Community

3. Market stakeholder relationships are based on _____.
 - a) A two-way exchange of goods or services
 - b) An indirect relationship with its stakeholder groups
 - c) Community involvement and support
 - d) Compliance with laws and regulations

4. Which argument calls stakeholder management a practical matter, which realistically depicts how companies really work?
 - a) Descriptive argument
 - b) Instrumental argument
 - c) Normative argument
 - d) Fiduciary argument

5. One of the most dramatic and powerful forces affecting business and society today is _____.
 - a) The price of oil
 - b) The Internet
 - c) The United States economy
 - d) The preservation of the rain forests

SELF EXAM

6. The instrumental argument says stakeholder management is _____.
- a) A more realistic description of how companies really work
 - b) More effective as a corporate strategy
 - c) Simply the right thing to do
 - d) Determined by the amount of stock owned in the firm
7. The fiduciary duties of managers benefit a firm's _____.
- a) Stockholders
 - b) Customers
 - c) Employees
 - d) All of the above
8. Stakeholder groups can include _____.
- a) Stockholders
 - b) The Media
 - c) Environmental activists
 - d) All of the above
9. Which of the following statements most accurately describes a firm's responsibility to market stakeholders?
- a) It is a relationship with political and cultural influences
 - b) It involves distribution, procurement, and competition
 - c) It is more important to the survival of business than no market relationships
 - d) It mostly occurs at a broad conceptual level
10. Which of the following is not considered to be a no market stakeholder?
- a) Government agencies
 - b) The natural environment
 - c) Activist groups
 - d) Nongovernmental organizations

CHAPTER ONE

Readings

1. Multiple
2. Stakeholders
3. Interactive
4. Relationships
5. Involvement
6. Competitive advantage
7. External
8. Human rights
9. Social
10. Technology

Matching Exercise - I

1. b
2. a
3. c
4. e
5. d
6. f

Matching Exercise - II

1. a
2. c
3. b
4. d
5. f
6. e

ANSWER KEYS

Self Exam

1. **a)** The ability to adapt effectively to changing conditions **(pg 5)**
2. **a)** Shareholders **(pg 5)**
3. **a)** A two-way exchanges of goods or services **(pg 8)**
4. **a)** Descriptive argument **(pg 6)**
5. **b)** The Internet **(pg 18)**
6. **b)** More effective as a corporate strategy **(pg 6)**
7. **d)** All of the above **(pg 6)**
8. **d)** All of the above **(pg 7)**
9. **b)** It involves distribution, procurement, and competition **(pg 8)**
10. **b)** The natural environment **(pg 8)**

