

ADM 1301 Social Context Exam Review

Chapter 1: The relationship between business and society.

Ethics of a Business: The rules, standards, codes, or principles that provide guidance for morally appropriate behavior in managerial decisions making.

Stakeholder: An individual or group who can influence and/or is influenced by the an organization's decision making.

Corporate Social Responsibility: The way a corporation achieves a balance among its economical, social, and environmental responsibilities in its operations, so it can address Stakeholders expectation.

Triple Bottom Line: This is the evaluation of a corporation's performance relating to its economical, social and environmental value the corporation adds or destroys.

Corporate Citizenship: A corporation that takes into account its role and complete impact on society and the environment, as well as economic influence.

Capitalism: An economic system that allows for private ownership of the means of production (land, labour and capital). It also assumes that economic decision making is in the hands of individuals or enterprises who make decisions to make a profit.

Adam Smith: Founder of capitalism, proposed a view of moral principles that rationally identify right versus wrong.

Free Enterprise System: An arrangement using land, labour, and capital to produce, distribute and exchange goods and services to meet the needs and wants of people in society.

Laissez-faire capitalism: An economic system that operates with minimal interference by the government in the affairs of business.

Responsible enterprise system: An economic system operating as a free enterprise system but incorporating the elements of accountability. This means businesses are responsible to society for their accounts and are accountable for wrongdoing.

Stakeholder Capitalism: An economic system in which corporations accept broader obligations athe just financial ones. Corporations are expected to balance the interests of shareholders with those of stakeholders. *Corporations are expected to behave with greater social responsibility.*

Clean Capitalism: An economic system that incorporates the social, environment and ecological costs, into the prices we pay.

Freedom of Association: The association of individuals coming together for some purpose if fundamental to forming a corporation.

Direct Ownership: Shareholders

Indirect Ownership: Mutual Fund Holders.

Board of Directors: These are elected by shareholders, and must fulfill legal and fiduciary obligations.

Managers: Top Managers are hired by boards of directors and oversee operations of a corporation.

Legitimacy: Belief in the rightness of an institution.

Social Licence: The privilege of operating in society with minimal formalized restrictions based on maintaining public trust by doing what is acceptable to stakeholders.

Factors Influencing Attitudes Toward Business

Business Wrongdoing: Corporation's misdeeds that influence society's attitudes. Common examples of this are in the financial area and include misleading financial statements, insider trading and stock manipulation.

Allocation of Resources: This is the distribution of resources based on the price and availability of said resources.

Inequities in society: Critics claim that a system based on capitalistic market leads to inequities.

Standard of Living: Argument that is used in justifying or supporting business enterprise system is the standard of living it provides. As living standards increase, society will view business in positive manner.

Decentralized decision making: Another factor of the business system considered desirable is the decentralized decision making process involved. Millions of businesses make decisions independently from one another ensuring that a wide variety of goods and services are available.

Self-Interest: In a business enterprise system, the individual can behave in his or her own self-interest. This acts as a motivator and provides a drive for profits that encourage individuals to get things done.

Business Cycle: Business cycles are natural in market system. With periods of prosperity are followed by recessions.

Globalization: Business is being increasingly conducted on a worldwide or global scale. Increased competition comes from foreign producers, job losses occur as production is outsourced to other countries.

Unemployment: Employment is associated with a country's economic performance, business cycles and productivity.

Innovation: Business enterprise system is designed to constantly seek innovation. Large portions of technology development has been the result of efforts of business enterprises. People criticize continuous and acceleration technology.

The Media: Different aspects of the media describe the activities of business and the implications for society. Some of these portrayals are positive but many are negatively impacting attitudes toward business.

Government: Government is always involved in business and its relationship with society. Government identifies and creates benchmarks for what is acceptable and what isn't, this is what people usually abide by.

Three Approaches to Ethical Thinking

Deontological or rule-based theories: Focus on moral obligations, duties and rights. Rules should guide decision making and behaviour. Focuses more on individuals, as they should be treated with respect.

Teleological or Consequential Theories: Focuses on goals, outcomes or results. Emphasizes maximum benefit and minimum harm. Considers all stakeholders impacted.

Virtue Ethics: Based on character of individual. If individual has good traits or virtues, decisions will be good or ethical.

Issues Management

Issues Management: A systematic process by which the corporation can identify, evaluate and respond to those economic, social and environmental issues that may impact significantly upon.

1. Identification of Issues
2. Analysis of Issues
3. Ranking or Prioritizing of Issues.
4. Formulating issue response.
5. Implementing issue response.
6. Monitoring and evaluating issue response.

- 1.) **Identification of Issues:** This is where you identify issues that are occur with a given market or situation.
- 2.) **Analysis of Issues:** Look at your issues and figure out how they impact the given business.
- 3.) **Ranking or prioritizing of issues:** Mapping the Issues.
- 4.) **Formulating Issue Response:** What you can do to help resolve the issue (ex. As a manager, what could you do to increase energy efficiency in your company?)
- 5.) **Implementing issue response:** This is the results from your issue response.
- 6.) **Monitoring and evaluation issue response:** Tracking progress.

What is the purpose of Issues Management?: Minimizing surprises relating to events or trends in society by serving as an early warning system. Prompt managers to be more systematic in coping with issues and stakeholder concerns. Mechanism for coordinating and integrating management of issues.

Chapter 3: identifying Stakeholders and Issues

Pluralistic Society: A society where influence or power is decentralized by dispersing it among a variety of institutions. No one institution is completely independant of the others, but each institution does possess some autonomy to pursue its own interest.

Civil Society: Civil society is composed of the voluntary, community, and social organizations or institutions that contribute to the functioning of society but are not related to or supported by government.

Owners: Also known as shareholders, are those individuals or groups who have invested in the form of equity, or shares. Shareholders can number in the hundreds of thousands for large corporations, or be a single individual in the case of an unincorporated business.

Non-governmental Organization (NGO): Any group outside of the public and private sectors that holds shared values or attitudes about an issue confronting society.

Issue: A point in question or matter that is in dispute where different views are held of what is or what ought to be corporate performance-based management or stakeholders expectations.

Issues Management: A systematic process by which the corporation can identify, evaluate, and respond to those economic, social, and environmental issues that may impact significantly upon it.

Crisis: A turning point, a crucial time, and a situation, that has reached a critical point. Fink (author of *Anatomy of a Crisis*) states that a crisis is an unstable time but the outcome may not necessarily be bad, and that there can be positive outcomes.

Crisis Management: An approach involving planning and removing much of the risk and uncertainty, allowing the corporation to achieve more control over events.

Chapter 4: Stakeholder and Issue Analysis

Stakeholder Engagement: Any efforts by a corporation to understand and involve relevant individuals, groups, or organizations by considering their moral concerns in strategic and operational initiatives.

Issue Analysis: A logical accompanying process to stakeholder analysis.

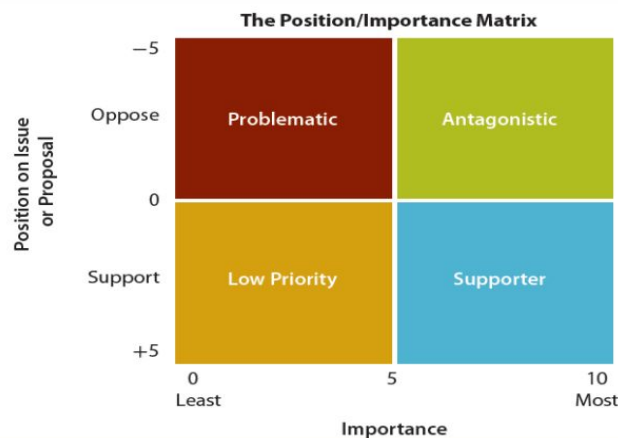
Stakeholder Management Capability: The ability of managers to identify stakeholders and their influence, to develop the organizational practices to understand stakeholders, and to undertake direct contact with stakeholders.

Matrix Mapping: Technique of categorizing an organization's stakeholders by their influence according to two variables, and usually involves plotting them on a two-by-two matrix.

FIGURE 4.5 Stakeholder Typology: One, Two, or Three Attributes Present



FIGURE 4.3 The Position/Importance Matrix



Salience: the degree to which managers give priority to competing stakeholder claims

Power: is exercising a relationship among social actors in which one social actor, A, can get another social actor, B, to do something that B would not otherwise do. Power can be based upon force or threat, incentives, or symbolic influences.

Legitimacy: A generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definition that is based on the individual, organization, or society.

Urgency: The degree to which stakeholder's claim or relationship calls for immediate attention, and exists when a claim or relationship is of a time-sensitive nature and when that claim or relationship is important or critical to the stakeholder

Resource Dependence: Exists when a stakeholder is supplying a resource and can exert some force of control over it. For example this control could be based on the amount of the resource controlled, the non-substitutability of the resource, or the essentiality of the resource

Withholding Strategies: Are those where the stakeholder discontinues providing a resource to an organization with the intention of changing a certain behavior.

Usage Strategies: Are those in which the stakeholder continues to supply a resource but specifies how it will be used-- that is, it attaches conditions to the use of the resource.

Influence Pathway: Occurs when withholding and usage strategies could be performed by an ally of the stakeholder with whom the organization has a resource dependence

Direct Strategies: Are those in which the stakeholder itself manipulates the flow of resources by withholding or through usage conditions.

Indirect strategies: Are those in which the stakeholder works through an ally by having the ally manipulate the flow of resources by withholding or through usage conditions.

Collaboration: A meta-capability to establish and maintain relationships that allows the organization to tap into a powerful source of creative energy, a large pool of innovative ideas, and a wider network. The goal is to increase the organization's environmental stability and to enhance control over changing circumstances.

Chapter 13: Understanding Business and Stakeholders

Civil Society: is composed of voluntary, community and social organizations or institutions that contribute to functioning of society but are not related or supported by government.

NGO Issues most Relevant to Business:

- Animal Rights
- Technology
- Economic
- Social Development
- Workers/Human Rights
- Environment
- Religious Activism.

How do NGOs try to influence business?

- Pressure on government to change policies.

- Damaging publicity.
- Disrupt annual meetings.
- Damage physical property.
- Organize boycotts.
- Hack websites.

The Media Stakeholder:

- Dealing with media is manager's responsibility because the legitimacy of a business is dependent upon public's knowledge of events and issues.
- Info spreads through various media outlets.

Chapter 7 & 8: Corporate Social Responsibility

Corporate Social Responsibility (CSR): The way a corporation achieves a balance among its economic, social, and environmental responsibilities in its operations so as to address shareholder and other stakeholder expectation.

Key Elements of CSR:

- Corporations have responsibilities beyond the production of goods and services.
- These responsibilities involve helping to solve social problems.
- Corporations have a broader constituency than just stockholders.
- Corporations have impacts beyond simple marketplace transactions.
- Corporations serve a wider range of human values than just economic values.

Social Responsibility Theories:

Armorial View: Traditional view of a business as merely profit making entity.

Personal View: Corporations are like people and can therefore be held accountable for their actions.

Social View: Corporations are social institutions with social responsibilities.

FIGURE 7.1 *Carroll's Pyramid of Corporate Social Responsibility*



Economic → Legal → Ethical → Philanthropic

Corporation Philanthropy: The effort of business to contribute to society, by donating money, goods or services in kind, voluntarism (where employees work for social causes).

Cause-Related Marketing: The purchase of a particular product results in a donation being made by a corporation to a non-profit program.

Strategic giving: An attempt to rationalize the shareholders interests with corporate philanthropy whereby the corporation benefits directly from the funds given.

Social Venture Philanthropy: The investment of human and financial resources by corporations in non-profit community development agencies to generate social returns rather than financial ones.

Corporate Voluntarism: The time and talent employees commit to community organizations with support/consent from employers who recognize the values of such efforts to society.

Types of Corporate Voluntarism are:

- Providing facilities.
- Allowing time off.
- Assisting with personal expenses involved with undertaking voluntary activities.

Corporate Sponsorship: A partnership which has been established for mutual benefit between a business and sponsor and an event or a non profit.

Reputation Management: Is an effort to change a corporation's image.

Corporate Citizenship: Occurs when a corporation demonstrates that it takes into account its complete impact on society, environment and economy.

Corporate Sustainability (CS): refers to activities demonstrating the inclusion of social, environmental and economic responsibilities in business operations as they impact stakeholders.

Sustainability: Enough, for all forever.

Social Impact Management: The field of inquiry between business needs and wider societal concerns that reflect and respect the interdependence between the two.

Social Enterprise: A model of a business operation where some or all profits are deliberately used to further social aims. (Non-profit organizations)

Second Term Social Context of Business

Key Terms

Corporate Self-Discipline Regulation:

Government Regulation: Government provides countervailing power to business by reflecting society's concerns.