ESSENTIALS OF MANAGEMENT:

An International Perspective

MANAGEMENT AND SOCIETY: THE EXTERNAL ENVIRONMENT, SOCIAL RESPONSIBILITY, AND ETHICS

After studying this chapter, you should understand:

1. The nature of the pluralistic society
2. The social responsibility of managers
3. The nature and importance of ethics in managing and ways to institutionalize and raise ethical standards.
4. That some ethical standards vary in different societies.
5. That trust is the basis for human interaction.

The Organization and Its External Environment

Organization

Technological

Economic

Social

Ethical

Political and legal
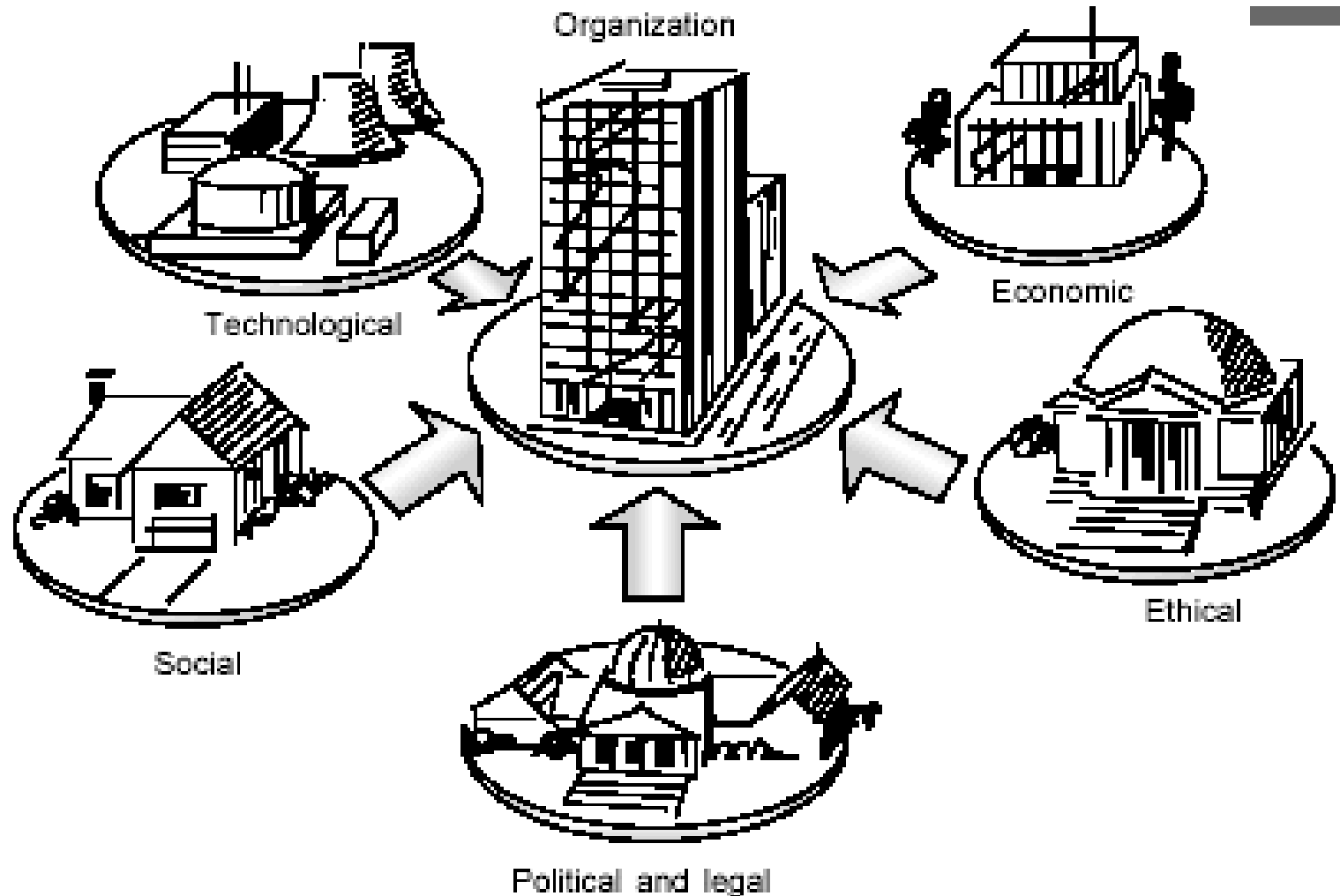
Operating in a Pluralistic Society

- Managers in the U.S. operate in a **pluralistic society,** in which many organized groups represent various interests

- Each group has an impact on other groups, but no one group exerts an inordinate amount of power. Many groups exert some power over business

The Social Responsibility of Managers

- **Corporate social responsibility** is "seriously considering the impact of the company's actions on society"

- **Social responsiveness** is "the ability of a corporation to relate its operations and policies to the social environment in ways that are mutually beneficial to the company and to society"

- **Social audit** is defined as "a commitment to systematic assessment of and reporting on some meaningful, definable domain of the company's activities that have social impact."

The Ecological Environment

- <u>Ecology</u> pertains to the relationship of people and other living things and their environment such as soil, water, and air

- <u>Land</u> may be polluted by industrial waste such as packaging

- <u>Water</u> pollution may be caused, for example, by hazardous waste and sewer systems

- <u>Air</u> pollution can be caused by acid rain, auto exhaust fumes, carcinogens from manufacturing processes, and other causes

Ethics in Managing

- Ethics is the discipline dealing with what is good and bad and with moral duty and obligation

- Business ethics is concerned with truth and justice

Ethical Theories

- The <u>utilitarian theory</u> suggests that plans and actions should be evaluated by their consequences

- The <u>theory based on rights</u> holds that all people have basic rights

- The <u>theory of justice</u> demands that decision makers be guided by fairness and equity, as well as impartiality

Institutionalizing Ethics

- A **code** is a statement of policies, principles, or rules that guide behavior

Factors that May Raise Ethical Standards (a study)

- Public disclosure and publicity
- The increased concern of a well-informed public
- Government regulations
- Education to raise the professionalism of business managers

Trust as the Basis for Change Management

- Traditionally, the concept of trust is equated with integrity, loyalty, caring, and keeping promises in the relationships between and among individuals

- Belardo points out that trust should go beyond individual relationships and extend to the organization by creating a culture of trust that transcends individual leadership