

Business-Government-Society (BGS) Relationship



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Learning Outcomes



- Recognize the nature of the BGS field
- Explain the significance of the BGS field
- Identify the different models of BGS relationship

Acknowledgment

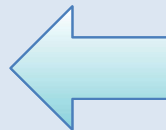
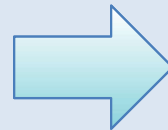
This lecture material is prepared based on the book titled Business, Government, and Society: A Managerial Perspective, Text and Cases (13 Ed.) written by John F. Steiner & George A. Steiner (2012).

Introduction



Human Activities

- Economic
- Political
- Social



Entities

- Business
- Government
- Society

BGS field is the study of this environment and its importance for managers.

Introduction cont'd.



Business

- It encompasses *a range of actions and institutions* such as management, manufacturing, finance, trade, service, investment, and other activities.
- The fundamental purpose of every business is to *make a profit by providing products and services that satisfy human needs.*

Introduction cont'd.



Government

- It refers to *structures and procedures in society that authoritatively make and apply policies and rules* to optimize social welfare function of a society.

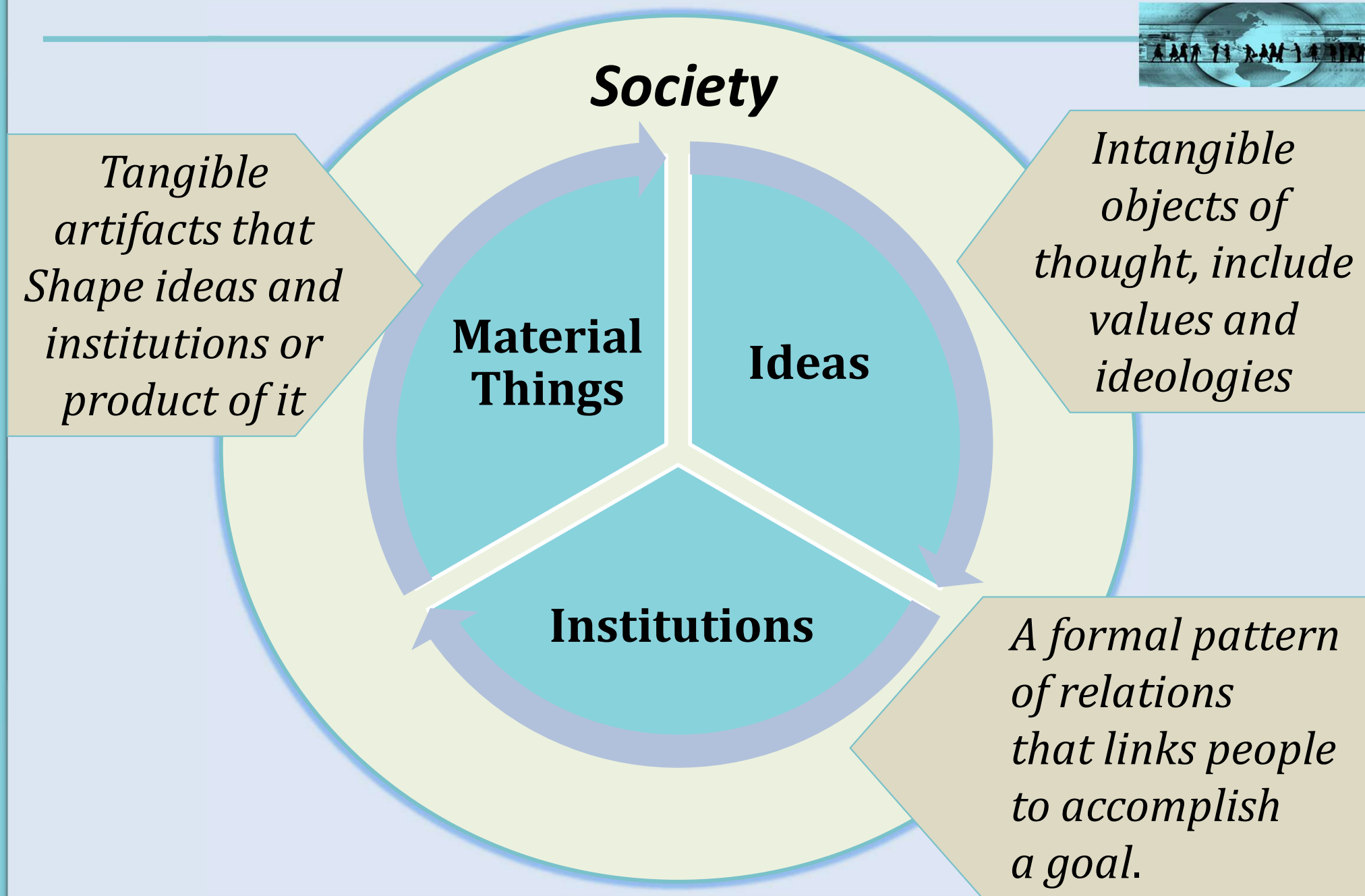
Introduction cont'd.



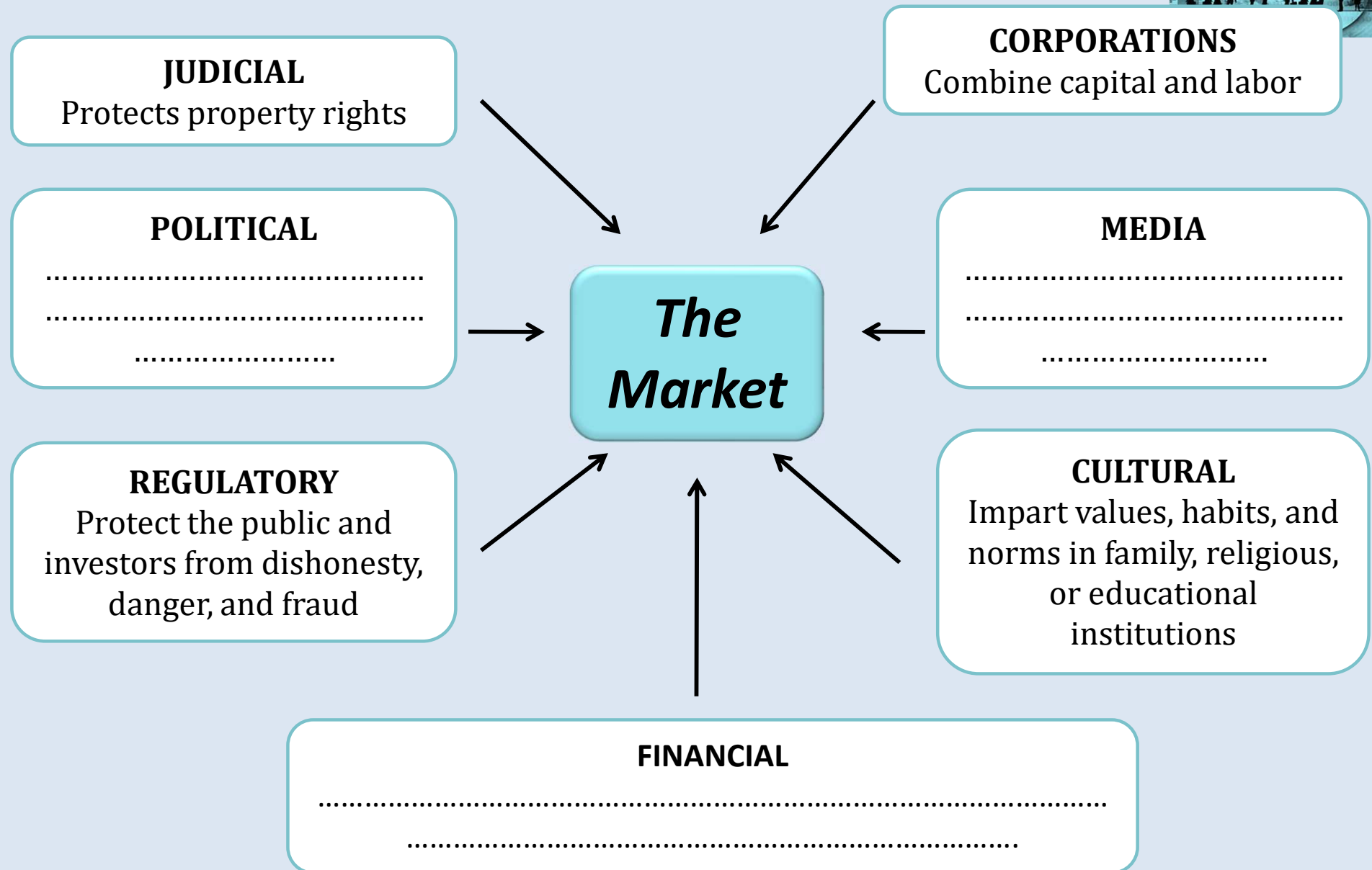
Society

- It refers to a *corporate network of human relations.*
- It includes three interacting elements; ideas, institutions, and material things.

Introduction cont'd.



How Institutions Support Markets



Why is the BGS Field Important to Managers?



- Recognizing that a company operates not only within markets but also within a society is critical.
- A *Social Contract* exists between the business institution and society.
- It is an underlying agreement between business and society on basic duties and responsibilities that business must carry out to retain public support.
- It is partly expressed in law, but it also resides in social values.

Why is the BGS Field Important to Managers? Cont'd.



Social contract is complex and ambiguous.

Every business has to address the following questions;

- What are the social responsibilities ?
- How is corporate social performance measured?
- To what extent must a business comply with non-written ethical values ?
- What is the priority (social responsibilities or maximizing profit) and the what is the proper combination ?

Models of BGS Relationship



The following four models are basic alternatives for seeing the BGS relationship.



- Market Capitalism Model



- Dominance Model

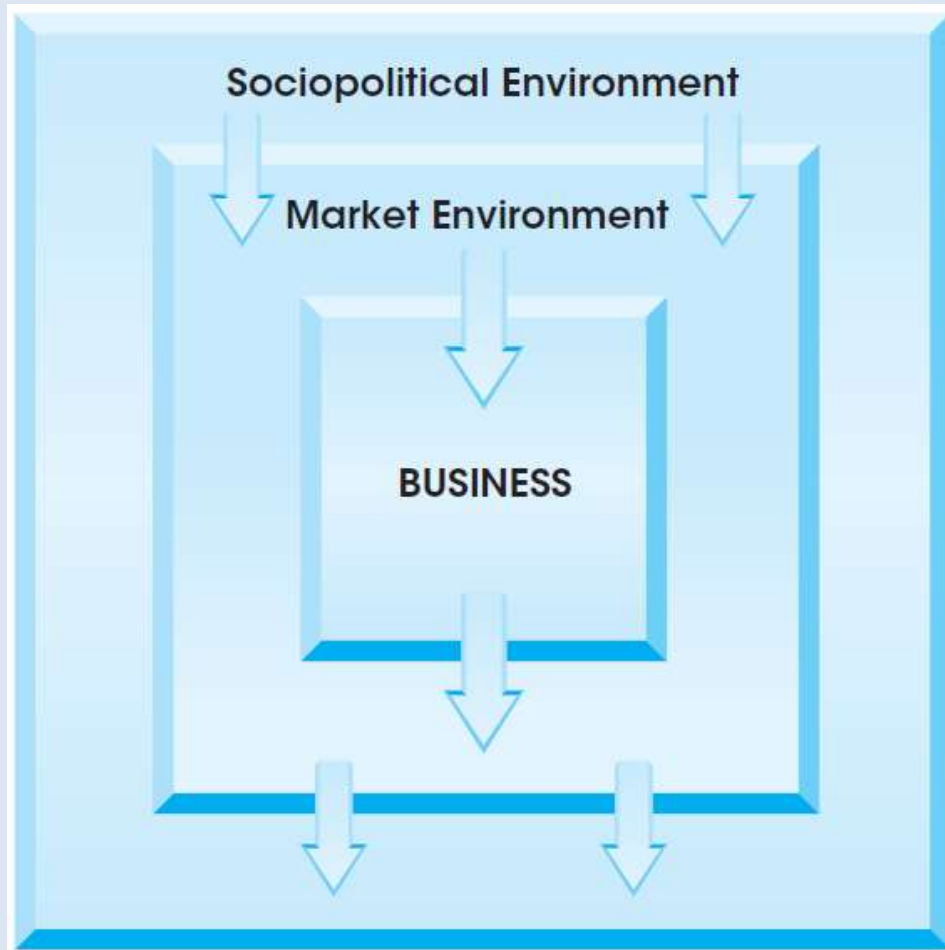


- Stakeholder Model



- Countervailing Forces Model

Market Capitalism Model



- Business operates within a market environment, responding to powerful economic forces
- Market acts as a buffer between business and non-market forces

Market Capitalism Model cont'd.

Features



- Government interference is slight or “laissez-faire”
- Business should correct social problems
- Managers focus on profit and efficiency
- Individuals can own private property and freely risk investments
- Markets convert selfish competition into broad social benefits through free competition
- Informed consumers making rational decisions
- Moral restraint of business
- Many producers and consumers

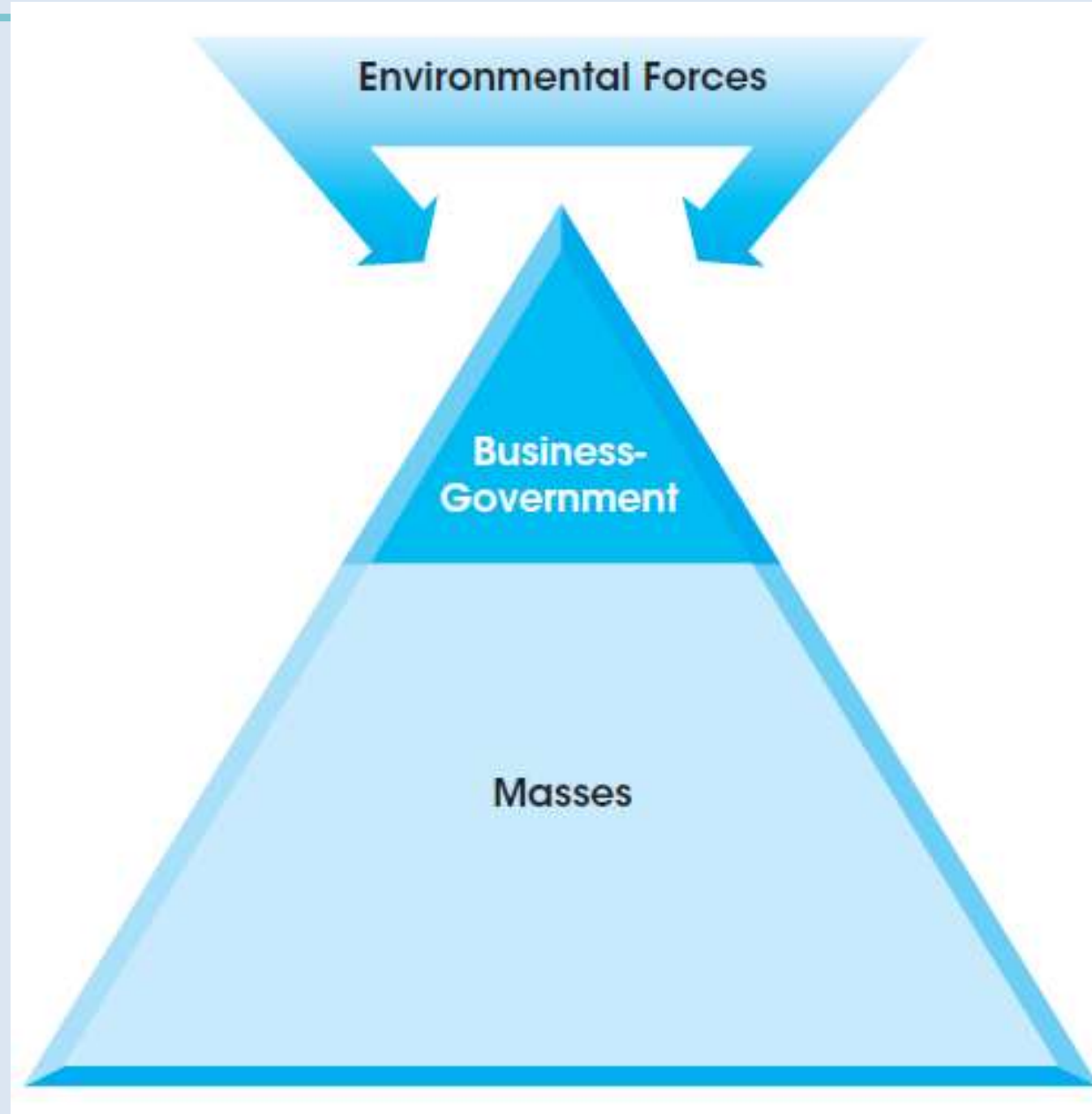
Market Capitalism Model cont'd.



Nature of BGS Relationship

- Government regulation is limited
- Markets will discipline private economic activity to promote social welfare
- The proper measure of corporate performance is profit
- The ethical duty of management is to promote the interests of owners/investors

Dominance Model



Dominance Model cont'd.

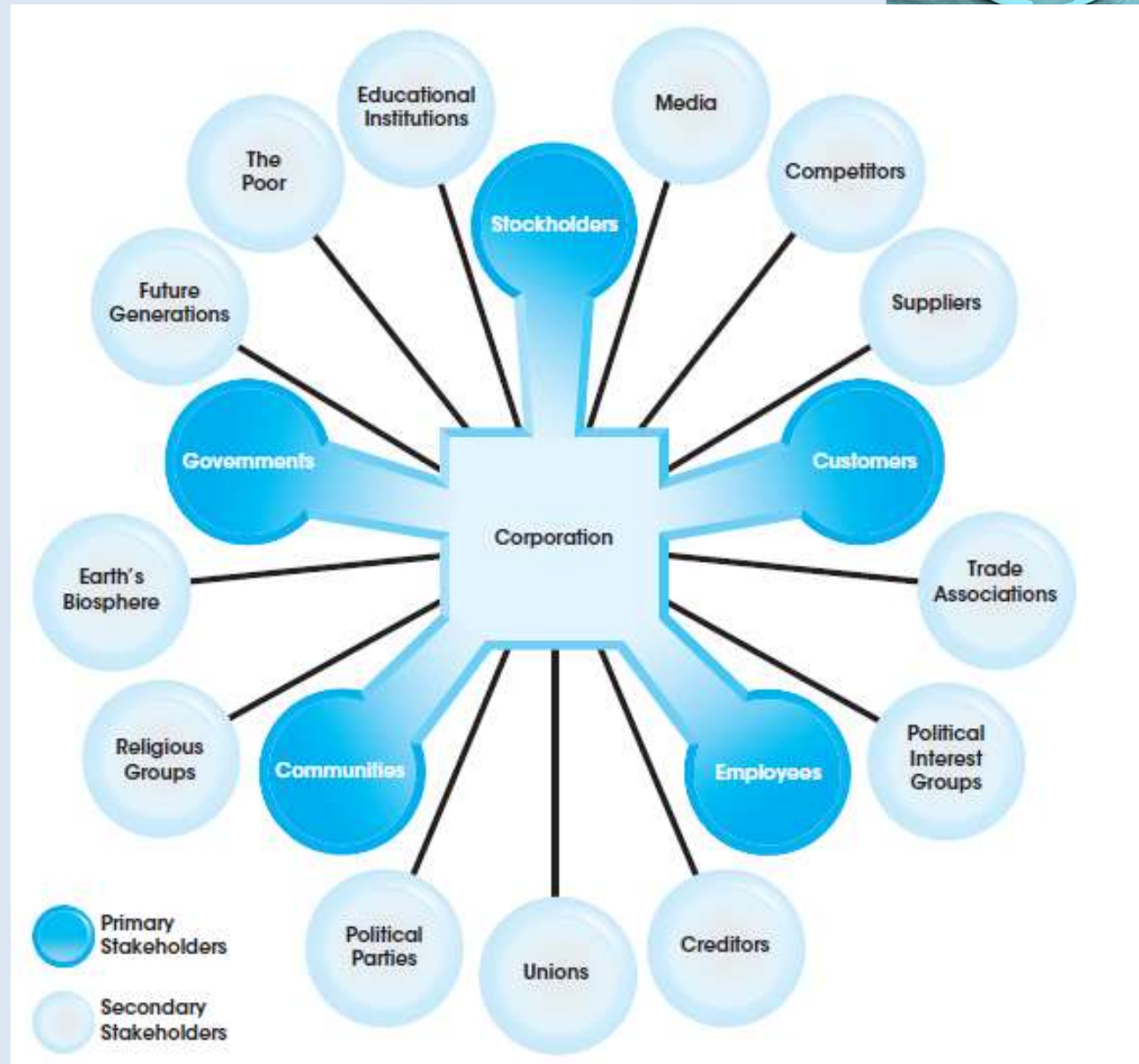


Features

- Wealth and power are concentrated in the hands of a few.
- Business and government dominate the mass of people.
- Powerful business elites and government control the system.
- This model assumes that market forces are inadequate to ensure ethical management.

Stakeholder Model

The model shows the corporation at the center of an array of relationships with persons, groups, and entities called stakeholders.



Stakeholder Model cont'd.

This explains the importance of the stakeholders and their influence on business decision making.



Primary stakeholders: small number of constituents for which the impact of the relationship is immediate, continuous, and powerful.

Secondary stakeholders: A broad range of constituents in which the relationship involves less mutual immediacy, benefit, burden, or power to influence.

Viewpoint – each stakeholder must be considered, not just profit maximization

According to this model, management must raise its gaze above profit to see and respond to a spectrum of other values.

Stakeholder Model cont'd.



Critics

- There is no single, clear, and objective measure to evaluate the combined ethical/economic performance of a business firm.
- Who is the legitimate stakeholder and how managers should balance competing demands among a range of stakeholders

Countervailing Forces Model



Environmental Catalysts

- Economic conditions
- Markets
- Geopolitics
- Ideologies
- Technology
- Nature
- Culture change

The Public

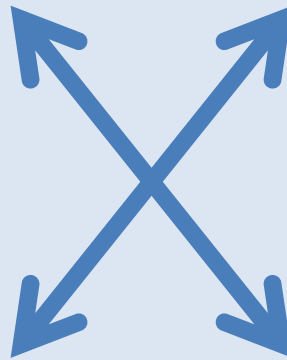
- Values
- Opinions
- Demands
- Supports
- Non-governmental organizations

Corporations

- Market operations
- Influence efforts
- Lobbying
- Leadership

Government

- Statues
- Regulations
- Political leadership
- Political parties



Countervailing Forces Model cont'd.



- Complex forces at work, none of which is dominant.
- Business is exposed directly to the influences of non-market forces
- **Four Characteristics**
 - Business is deeply integrated in society and respond to many forces
 - Business is a major initiator of change in government and society
 - Public support of business is dependent on businesses adapting to macro-environment
 - The environment is constantly changing