

Chapter 2—Stakeholder Relationships, Social Responsibility, and Corporate Governance

MULTIPLE CHOICE

1. Stakeholders' power over businesses stems from their
 - a. ability to withdraw or withhold resources.
 - b. ability to generate profits.
 - c. media impact.
 - d. political influence.
 - e. stock ownership.

ANS: A PTS: 1 REF: p. 32

2. Those who have a claim in some aspect of a firm's products, operations, markets, industry, and outcomes are known as
 - a. shareholders.
 - b. stockholders.
 - c. stakeholders.
 - d. claimholders.
 - e. special-interest groups.

ANS: C PTS: 1 REF: p. 31

3. Which of the following do *not* typically engage in transactions with a company and thus are not essential for its survival?
 - a. Employees
 - b. Secondary stakeholders
 - c. Primary stakeholders
 - d. Investors
 - e. Customers

ANS: B PTS: 1 REF: p. 33

4. A firm that makes use of a _____ recognizes other stakeholders beyond investors, employees, and suppliers, and explicitly acknowledges the two-way dialog that exists between a firm's internal and external environments.
 - a. stakeholder model of corporate governance
 - b. stakeholder bias
 - c. code of ethics
 - d. stakeholder interaction model
 - e. corporate interface model

ANS: D PTS: 1 REF: p. 34 | p. 35

5. The degree to which a firm understands and addresses stakeholder demands can be referred to as
- a stakeholder orientation.
 - a shareholder orientation.
 - the stakeholder interaction model.
 - a two-way street.
 - a continuum.

ANS: A PTS: 1 REF: p. 35

6. Which of the following industries tends to generate a *high* level of trust from consumers and stakeholders?
- Insurance
 - Technology
 - Banks
 - Mortgage lenders
 - Financial services

ANS: B PTS: 1 REF: p. 32

7. Which of the following is *not* a benefit that primary stakeholders tend to provide to organizations?
- Supplies of capital and resources.
 - Expertise and leadership
 - Word-of-mouth promotion
 - Infrastructure
 - Pro-bono bookkeeping

ANS: E PTS: 1 REF: p. 32

8. A stakeholder group that is absolutely necessary for a firm's survival is defined as
- direct.
 - tertiary.
 - secondary.
 - special-interest.
 - primary.

ANS: E PTS: 1 REF: p. 33

9. When unethical acts are discovered in a firm, in most instances
- they are caused by unwilling participants.
 - the cause is due to external stakeholders.
 - the perpetrators are caught and prosecuted.
 - there was knowing cooperation or complicity from within the company.
 - the cause is a corrupt Board of Directors.

ANS: D PTS: 1 REF: p. 30

10. Which of the following is *not* a method typically employed by firms when researching relevant stakeholder groups?
- Surveys
 - Focus groups
 - Internet searches
 - Press reviews
 - Guessing

ANS: E PTS: 1 REF: p. 35

11. A stakeholder orientation can be viewed as a(n)
- necessity for business success.
 - continuum.
 - polarizing concept.
 - good marketing ploy.
 - expensive proposition.

ANS: B PTS: 1 REF: p. 36

12. Shareholders provide resources to an organization that are critical to long term success. Which of the following does the book suggest that suppliers offer?
- The promise of customer loyalty
 - Material resources and/or intangible knowledge
 - Infrastructure
 - Revenue
 - Leadership skills

ANS: B PTS: 1 REF: p. 32

13. Which of the following is *not* associated with the stakeholder interaction model?
- Involves a two-way relationship between firm and stakeholders
 - Recognizes the input of investors, employees, and suppliers
 - Explicitly acknowledges dialogue with a firm's internal environment
 - Explicitly acknowledges dialogue with a firm's external environment
 - Identifies the mass media, special interest groups, competitors, and trade associations as primary stakeholders

ANS: E PTS: 1 REF: p. 35

14. The first of the three activities that are associated with the stakeholder orientation is the
- organization-wide generation of data.
 - organization's responsiveness to intelligence.
 - set of consumer attributes identified.
 - organizational strategy of target markets.
 - human relations department's set of priorities.

ANS: A PTS: 1 REF: p. 35

15. Public health and safety and support of local organizations are issues most relevant to which stakeholder group?
- Investors
 - Community
 - Suppliers
 - Customers
 - Employees

ANS: B PTS: 1 REF: p. 34

16. Minimizing the use of energy and reducing emissions and waste are issues of importance to which stakeholder?
- Environmental groups
 - Suppliers
 - Employees
 - Industry leaders
 - Investors

ANS: A PTS: 1 REF: p. 34

17. The idea that the mission of business is to produce goods and services at a profit, thus maximizing its contribution to society is associated with
- Adam Smith.
 - Theodore Levitt.
 - Norman Bowie.
 - Herman Miller
 - Milton Friedman.

ANS: E PTS: 1 REF: p. 37

18. The originator of the idea of the *invisible hand*, which is a fundamental concept in free market capitalism, was
- Adam Smith.
 - Theodore Levitt.
 - Norman Bowie.
 - Herman Miller
 - Milton Friedman.

ANS: A PTS: 1 REF: p. 37

19. Some economists believe that if companies address economic and legal issues, they are satisfying the demands of society, and that trying to anticipate and meet additional needs would be almost impossible. Which economist's theory are they following most closely with this belief?
- Adam Smith.
 - Theodore Levitt.
 - Norman Bowie.
 - Herman Miller
 - Milton Friedman.

ANS: E PTS: 1 REF: p. 37

20. _____ argued that, although profits are required for business, profit is not the primary purpose of business.
- Adam Smith
 - Theodore Levitt
 - Norman Bowie
 - Herman Miller
 - Milton Friedman

ANS: B PTS: 1 REF: p. 38

21. Who argued that when a business also cares about the well-being of stakeholders, it earns trust and cooperation that ultimately reduce costs and increase productivity?
- Adam Smith
 - Theodore Levitt
 - Norman Bowie
 - Herman Miller
 - Milton Friedman

ANS: C PTS: 1 REF: p. 38

22. Enlightened capitalism is associated with which individual?
- Adam Smith
 - Theodore Levitt
 - Norman Bowie
 - Herman Miller
 - Milton Friedman

ANS: A PTS: 1 REF: p. 38

23. A description of corporate social responsibility should include a list of all of the following *except*
- corporate rights.
 - corporate duties.
 - environmentally friendly activities.
 - consequences.
 - values.

ANS: C PTS: 1 REF: p. 38

24. In ascending order, Carroll's four levels of social responsibility are
- ethical, legal, economic, philanthropic.
 - economic, ethical philanthropic, legal.
 - economic, legal, ethical, philanthropic.
 - legal, ethical, economic, philanthropic.
 - ethical, legal, moral, economic.

ANS: C PTS: 1 REF: p. 40

25. Which ISO guideline was established as a corporate responsibility regulation that is meant to encourage discussions on the role of social responsibility and the importance of stakeholders?
- a. ISO 3000
 - b. ISO 2000
 - c. ISO 265000
 - d. ISO 26000
 - e. ISO 14000

ANS: D PTS: 1 REF: p. 39

26. Which ISO guideline pertains to environmental regulation standards and was designed to help reduce a firm's pollution, waste, and carbon footprint?
- a. ISO 3000
 - b. ISO 2000
 - c. ISO 265000
 - d. ISO 26000
 - e. ISO 14000

ANS: E PTS: 1 REF: p. 39

27. The term used to express how a firm meets its stakeholder expectations of its economic, legal, ethical, and philanthropic responsibilities is
- a. reputation.
 - b. corporate citizenship.
 - c. corporate ethical audit.
 - d. ethical citizenship.
 - e. fiduciary duties.

ANS: B PTS: 1 REF: p. 40

28. Which economist espoused a kind of Darwinian or “wild west” version of capitalism?
- a. Adam Smith
 - b. Theodore Levitt
 - c. Norman Bowie
 - d. Herman Miller
 - e. Milton Friedman

ANS: E PTS: 1 REF: p. 37

29. In corporate governance, _____ is the process of auditing and improving organizational decisions and actions.
- profit
 - loyalty
 - accountability
 - control
 - diligence

ANS: D PTS: 1 REF: p. 42

30. Accountability, oversight, and control all fall under the definition and implementation of corporate _____.
- profit.
 - loyalty.
 - care.
 - governance.
 - diligence.

ANS: D PTS: 1 REF: p. 42

31. Major corporate governance issues normally involve _____ decisions. (Choose the response that is *most* correct)
- strategic-level
 - tactical-level
 - divisional-level
 - marketing-level
 - accounting-level

ANS: A PTS: 1 REF: p. 43

32. Which of the following is a major concern among corporate boards of directors?
- Compensation
 - The non-traditional directorship approach
 - Dividend reporting
 - Corporate social audits
 - Debt swaps

ANS: A PTS: 1 REF: p. 43 | p. 46

33. Why were the International Organization for Standardization (ISO) 26000 guidelines established?
- To promote a common understanding in the area of social responsibility.
 - To provide organizations with another social responsibility certification.
 - To educate organizations.
 - To help organizations look good to stakeholders.
 - To establish international environmental standards.

ANS: A PTS: 1 REF: p. 39

34. One policy to address the issue of executive pay was implemented by J.P. Morgan, it stated that _____
- there should be no limit on what top executives can earn.
 - managers should earn no more than twenty times the pay of other employees.
 - top managers should make the same amount as other employees.
 - employees can determine how much managers make.
 - the government should determine the worth of each manager's service.

ANS: B PTS: 1 REF: p. 47

35. The specific steps for implementing the stakeholder perspective do not include which of the following?
- Identifying stakeholder groups
 - Identifying stakeholder issues
 - Identifying and gaining stakeholder feedback
 - Identifying and gaining government feedback
 - Assessing organizational commitment to social responsibility groups

ANS: D PTS: 1 REF: p. 48-51

36. What are the four levels of social responsibility?
- Financial, religious, ethical, and philanthropic
 - Ethical, philanthropic, selfish, and short-sighted
 - Economic, long-term, ethical, and philanthropic.
 - Legal, economic, ethical, and philanthropic
 - Economic, compliance, legal, and philanthropic

ANS: D PTS: 1 REF: p. 40

37. The _____ model is founded in classic economic precepts.
- economic
 - shareholder
 - stakeholder
 - board
 - ISO

ANS: B PTS: 1 REF: p. 44

38. Which of the following are *not* typically secondary stakeholders?
- Television news anchors
 - Special-interest groups
 - Customers
 - Trade associations
 - Journalists

ANS: C PTS: 1 REF: p. 33

39. Which of the following are *not* typically primary stakeholders?
- Customers
 - Trade associations
 - Employees
 - Shareholders
 - Investors

ANS: B PTS: 1 REF: p. 33

40. Why do critics argue that high compensation for boards of directors is a bad thing?
- It is too expensive for the organization.
 - It could cause conflicts of interest between the directors and the organization.
 - It is not fair to poorly compensated employees.
 - High pay will render the board less complacent.
 - Board of director compensation is not a major issue.

ANS: B PTS: 1 REF: p. 46

41. Board members being linked to more than one company is an example of
- strategic philanthropy.
 - stakeholder commitment.
 - interlocking directorate.
 - conflict of interest.
 - an illegal activity.

ANS: C PTS: 1 REF: p. 46

42. What is the first step in implementing a stakeholder perspective in an organization?
- Identifying resources and determining urgency
 - Identifying stakeholder groups
 - Identifying stakeholder issues
 - Assessing the corporate culture
 - Assessing organizational commitment to social responsibility

ANS: D PTS: 1 REF: p. 49

43. A stakeholder orientation is not complete unless it includes
- clear accounting procedures.
 - major financing activities.
 - marketing strategy.
 - feedback from special-interest groups.
 - activities that actually address stakeholder issues.

ANS: E PTS: 1 REF: p. 36

ESSAY

44. Compare and contrast the stakeholder and shareholder models.

ANS:
Pages 44-45

PTS: 1 REF: p. 44-45

45. What methods do special interest groups use to force organizations to alter their products or change their practices?

ANS:
Page 31

PTS: 1 REF: p. 31

46. Why is ethical misconduct more difficult to overcome than poor financial performance?

ANS:
Page 31

PTS: 1 REF: p. 31

47. Discuss the difference between primary and secondary stakeholders in the stakeholder interaction model and give examples for each type.

ANS:
Pages 33-34

PTS: 1 REF: p. 33-34

48. Why do some businesspeople and scholars question whether ethics should have a role in business?

ANS:
Page 37

PTS: 1 REF: p. 37

49. Discuss three corporate governance issues, why they are defined as issues, and how you would solve them. Use examples in your answer.

ANS:
Page 42-43

PTS: 1 REF: p. 42-43