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Chapter 02

Managing Public Issues and Stakeholder Relationships

True / False Questions

1. A public issue exists when there is agreement between the stakeholders' expectations of what a business firm should do and the actual performance of that business firm.

   True False

2. Emerging public issues are both a risk and an opportunity.

   True False

3. Understanding and responding to changing societal expectations is a business necessity.

   True False

4. Because the public issues that garner the most public attention change over time, companies do not waste time tracking them.

   True False

5. Organizations always have full control of a public issue.

   True False

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6. Environmental analysis is a method managers use to gather information about external issues and trends.

True False

7. Environmental intelligence is the acquisition of information gained from analyzing the multiple environments affecting organizations.

True False

8. Legal environment includes the structure, processes, and actions of government at the local, state, national, and international levels.

True False

9. Competitive intelligence enables managers in companies of all sizes to make informed decisions in all areas of the business.

True False

10. Stakeholder materiality is a method companies use to prioritize the relevance of the stakeholders and their issues.

True False

11. In the issue management process, identifying the issue involves anticipating emerging issues.

True False

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12. Financially sound companies do not need to understand how a public issue is likely to evolve, or how it will affect them.

True False

13. For stakeholder engagement to occur, both the business and the stakeholder must be motivated to work with one another to solve the problem.

True False

14. Dialogue between a single firm and its stakeholders is always sufficient to address an issue effectively.

True False

15. Companies are learning that it is important to take a strategic approach to the management of public issues, both domestically and globally.

True False

Multiple Choice Questions

16. Public issues are also sometimes referred to as:

A. Social issues.
B. Sociopolitical issues.
C. Both A and B.
D. None of the above.

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17. The emergence of a public issue indicates that:

A. A gap has developed between what stakeholders expect and what an organization is actually doing.
B. Technology is forcing ethics and business strategy closer together.
C. Consumers are unaware of how an organization's actions affect them.
D. All of the above.

18. Failure to understand the beliefs and expectations of stakeholders:

A. Causes a company's profits to increase in the short run.
B. Causes a company's profits to decrease in the short run.
C. Causes the performance-expectations gap to grow larger.
D. Increases the chance of a corporate buy-out.

19. Because of the risks and opportunities public issues present, organizations need:

A. A strong relationship with a lobbying firm or an in-house lobbying department.
B. Executives to be rewarded with substantial bonuses as part of total compensation.
C. A systematic way of identifying, monitoring, and selecting public issues.
D. Tougher government regulations and oversight by political action committees.

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20. Customer environmental intelligence includes:

A. Demographic factors.

B. An analysis of the firm's competitors.

C. New technological applications.

D. The cost of producing consumer goods.

21. According to management scholar Karl Albrecht, scanning to acquire environmental intelligence should focus on:

A. Eight strategic radar screens.

B. Six management templates.

C. Eight process improvement models.

D. Six ethical decision indicators.

22. The explosive use of social media is an example of:

A. Customer environment.

B. Competitor environment.

C. Economic environment.

D. Social environment.

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23. An analysis of the stability or instability of a government is an example of scanning the:

A. Social environment.

B. Legal environment.

C. Geophysical environment.

D. Political environment.

24. Legal environmental intelligence includes:

A. Patterns of aggressive growth versus static maintenance.

B. Analysis of local, state, national, and international politics.

C. Considerations of patents, copyrights, or trademarks.

D. Information regarding costs, prices, and international trade.

25. The role of special interest groups is an important element in acquiring intelligence from the:

A. Customer environment.

B. Competitor environment.

C. Economic environment.

D. Social environment.

26. The relevance and importance of stakeholders and their issues is known as:

A. Stakeholder salience.

B. Competitive intelligence.

C. Stakeholder materiality.

D. Organizational capacity.

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27. The issues management process is a:

A. Beneficial tool used only to maximize the positive effects of a public issue for the organization's advantage.
B. Beneficial tool used only to minimize the negative effects of a public issue for the organization's advantage.
C. Systematic process companies use when responding to public issues that are of greatest importance to the business.
D. Confusing process that is rarely used to help top management within an organization.

28. The issue management process has how may stages?

A. Three.
B. Four.
C. Five.
D. Six.

29. The components of a typical issues management process include:

A. Identify issue.
B. Generate options.
C. Take action.
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30. Once an issue has been identified, its implications must be:

A. Acted upon.

B. Analyzed.

C. Segmented.

D. Deleted.

31. An issue's public profile indicates to managers:

A. How significant an issue is for the organization, but it does not tell them what to do.

B. Both how significant an issue is for the organization and exactly what to do.

C. Exactly what to do without indicators of how significant an issue is for the organization.

D. Any of the above depending on the organization type.

32. Once an organization has implemented the issue management program, it must:

A. Use trade associations or consultants to follow high priority issues.

B. Study the results and make necessary adjustments.

C. Not limit the number of public issues the firm can address.

D. Pick a selected number of issues to address immediately.

33. When working well, the issue management process:

A. Is static and never pulls in additional information that would disturb the balance.

B. Generates two specific options for each issue.

C. Minimizes dialogue with the stakeholders and focuses on short-term survival.

D. Continuously cycles back to the beginning and repeats.

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34. Contemporary issue management:

A. Is a linear process.

B. Was useful in the 1970s, but not today.

C. Is used by all government agencies.

D. Is an interactive, forward thinking process.

35. A leadership role in addressing emerging management issues in often taken by:

A. The public affairs department.

B. The government relations department.

C. The department of sustainability or environmental, health and safety.

D. All of the above.

36. A corporation's issue management activities are usually linked to:

A. The board of directors.

B. Top management.

C. Both the board of directors and top management levels.

D. The strategic governance committee.

37. Over time, the nature of business's relationship with its stakeholders often:

A. Remains static.

B. Evolves through a series of stages.

C. Becomes more hostile.

D. None of the above.

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38. Firms that believe they can make decisions unilaterally, without taking into consideration their impact on others are:

A. Interactive companies.

B. Proactive companies.

C. Reactive companies.

D. Inactive companies.

39. Firms that generally act only when forced to do so, and then in a defensive manner are:

A. Interactive companies.

B. Proactive companies.

C. Reactive companies.

D. Inactive companies.

40. Proactive companies are:

A. Much less likely to be blindsided by crises and negative surprises.

B. Much more likely to be blindsided by crises and negative surprises.

C. Just as likely to be blindsided by crises and negative surprises.

D. Much more likely to be forced to defend itself in a lawsuit brought by a stakeholder.

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41. Stakeholder engagement is:

A. Any issue that is of mutual concern to an organization and one or more of its stakeholders.

B. Competitive intelligence being collected ethically and systematically.

C. The process of ongoing relationship building between a business and its stakeholders.

D. The acquisition of information gained from analyzing the multiple environments.

42. Stakeholder engagement is, at its core, a:

A. Program.

B. Relationship.

C. Process.

D. Systems model.

43. The drivers of stakeholders of engagement are:

A. Scanning, assessment, and growth.

B. Data, strategy, and organizational development.

C. Goals, motivation, and operational capacity.

D. Financial, operational, and legal.

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44. A business and its stakeholders coming together for face-to-face conversations about issues of common concern is:

A. Stakeholder networks.

B. Stakeholder motivation.

C. Stakeholder systems.

D. Stakeholder dialogue.

45. Corporations working collaboratively with other businesses and concerned persons and organizations is an example of:

A. Stakeholder networks.

B. Stakeholder motivation.

C. Stakeholder systems.

D. Stakeholder salience.

Short Answer Questions

46. What is a public issue and how do they impact modern firms?

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47. What is competitive intelligence? Why is it important to the public affairs function?

48. Identify the eight strategic radar screens that enable public affairs managers to scan their business environment. Briefly discuss the issues involved with each environment.

49. Give an example and explain why stakeholder materiality is important to both the company and its stakeholders.

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50. Identify and discuss the five steps to the Issues Management Process.

51. What are the various stages of the business-stakeholder relationship?

52. Engaging interactively with stakeholders carries a number of potential benefits. Discuss.

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Chapter 02 Managing Public Issues and Stakeholder Relationships

Answer Key

True / False Questions

1. A public issue exists when there is agreement between the stakeholders' expectations of what a business firm should do and the actual performance of that business firm.

   FALSE

   Accessibility: Keyboard Navigation

   Difficulty: 1 Easy

   Learning Objective: 02-01 Identifying public issues and analyzing gaps between corporate performance and stakeholder expectations.

2. Emerging public issues are both a risk and an opportunity.

   TRUE

   Accessibility: Keyboard Navigation

   Difficulty: 1 Easy

   Learning Objective: 02-01 Identifying public issues and analyzing gaps between corporate performance and stakeholder expectations.

3. Understanding and responding to changing societal expectations is a business necessity.

   TRUE

   Accessibility: Keyboard Navigation

   Difficulty: 1 Easy

   Learning Objective: 02-01 Identifying public issues and analyzing gaps between corporate performance and stakeholder

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expectations.

4. Because the public issues that garner the most public attention change over time, companies do not waste time tracking them.

FALSE

Accessibility: Keyboard Navigation

Difficulty: 1 Easy

Learning Objective: 02-01 Identifying public issues and analyzing gaps between corporate performance and stakeholder expectations.

5. Organizations always have full control of a public issue.

FALSE

Accessibility: Keyboard Navigation

Difficulty: 1 Easy

Learning Objective: 02-01 Identifying public issues and analyzing gaps between corporate performance and stakeholder expectations.

6. Environmental analysis is a method managers use to gather information about external issues and trends.

TRUE

Accessibility: Keyboard Navigation

Difficulty: 1 Easy

Learning Objective: 02-02 Applying available tools or techniques to scan an organization's multiple environments and assessing stakeholder materiality.

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7. Environmental intelligence is the acquisition of information gained from analyzing the multiple environments affecting organizations.

TRUE

Accessibility: Keyboard Navigation

Difficulty: 1 Easy

Learning Objective: 02-02 Applying available tools or techniques to scan an organization's multiple environments and assessing stakeholder materiality.

8. Legal environment includes the structure, processes, and actions of government at the local, state, national, and international levels.

FALSE

Accessibility: Keyboard Navigation

Difficulty: 1 Easy

Learning Objective: 02-02 Applying available tools or techniques to scan an organization's multiple environments and assessing stakeholder materiality.

9. Competitive intelligence enables managers in companies of all sizes to make informed decisions in all areas of the business.

TRUE

Accessibility: Keyboard Navigation

Difficulty: 1 Easy

Learning Objective: 02-02 Applying available tools or techniques to scan an organization's multiple environments and assessing stakeholder materiality.

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10. Stakeholder materiality is a method companies use to prioritize the relevance of the stakeholders and their issues.

TRUE

Accessibility: Keyboard Navigation

Difficulty: 1 Easy

Learning Objective: 02-02 Applying available tools or techniques to scan an organization's multiple environments and assessing stakeholder materiality.

11. In the issue management process, identifying the issue involves anticipating emerging issues.

TRUE

Accessibility: Keyboard Navigation

Difficulty: 1 Easy

Learning Objective: 02-03 Describing the steps in the issue management process and determining how to make the process most effective.

12. Financially sound companies do not need to understand how a public issue is likely to evolve, or how it will affect them.

FALSE

Accessibility: Keyboard Navigation

Difficulty: 1 Easy

Learning Objective: 02-04 Identifying the managerial skills required to respond to emerging issues effectively.

13. For stakeholder engagement to occur, both the business and the stakeholder must be motivated to work with one another to solve the problem.

TRUE

Accessibility: Keyboard Navigation

Difficulty: 1 Easy

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Learning Objective: 02-05 Understanding how businesses can effectively engage with its stakeholders, what drives this engagement, and the role social media can play.

14. Dialogue between a single firm and its stakeholders is always sufficient to address an issue effectively.

FALSE

Accessibility: Keyboard Navigation

Difficulty: 1 Easy

Learning Objective: 02-06 Recognizing the value of creating stakeholder dialogue and networks.

15. Companies are learning that it is important to take a strategic approach to the management of public issues, both domestically and globally.

TRUE

Accessibility: Keyboard Navigation

Difficulty: 1 Easy

Learning Objective: 02-06 Recognizing the value of creating stakeholder dialogue and networks.

Multiple Choice Questions

16. Public issues are also sometimes referred to as:

A. Social issues.

B. Sociopolitical issues.

C. Both A and B.

D. None of the above.

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Difficulty: 1 Easy

Learning Objective: 02-01 Identifying public issues and analyzing gaps between corporate performance and stakeholder expectations.

17. The emergence of a public issue indicates that:

A. A gap has developed between what stakeholders expect and what an organization is actually doing.

B. Technology is forcing ethics and business strategy closer together.

C. Consumers are unaware of how an organization's actions affect them.

D. All of the above.

Accessibility: Keyboard Navigation

Difficulty: 1 Easy

Learning Objective: 02-01 Identifying public issues and analyzing gaps between corporate performance and stakeholder expectations.

18. Failure to understand the beliefs and expectations of stakeholders:

A. Causes a company's profits to increase in the short run.

B. Causes a company's profits to decrease in the short run.

C. Causes the performance-expectations gap to grow larger.

D. Increases the chance of a corporate buy-out.

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Difficulty: 2 Medium

Learning Objective: 02-01 Identifying public issues and analyzing gaps between corporate performance and stakeholder expectations.

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19. Because of the risks and opportunities public issues present, organizations need:

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B. Executives to be rewarded with substantial bonuses as part of total compensation.

C. A systematic way of identifying, monitoring, and selecting public issues.

D. Tougher government regulations and oversight by political action committees.

Accessibility: Keyboard Navigation

Difficulty: 3 Hard

Learning Objective: 02-02 Applying available tools or techniques to scan an organization's multiple environments and assessing stakeholder materiality.

20. Customer environmental intelligence includes:

A. Demographic factors.

B. An analysis of the firm's competitors.

C. New technological applications.

D. The cost of producing consumer goods.

Accessibility: Keyboard Navigation

Difficulty: 2 Medium

Learning Objective: 02-02 Applying available tools or techniques to scan an organization's multiple environments and assessing stakeholder materiality.

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21. According to management scholar Karl Albrecht, scanning to acquire environmental intelligence should focus on:

A. Eight strategic radar screens.
B. Six management templates.
C. Eight process improvement models.
D. Six ethical decision indicators.

Accessibility: Keyboard Navigation
Difficulty: 3 Hard
Learning Objective: 02-02 Applying available tools or techniques to scan an organization's multiple environments and assessing stakeholder materiality.

22. The explosive use of social media is an example of:

A. Customer environment.
B. Competitor environment.
C. Economic environment.
D. Social environment.

Accessibility: Keyboard Navigation
Difficulty: 2 Medium
Learning Objective: 02-02 Applying available tools or techniques to scan an organization's multiple environments and assessing stakeholder materiality.

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23. An analysis of the stability or instability of a government is an example of scanning the:

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B. Legal environment.

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D. Political environment.

Accessibility: Keyboard Navigation

Difficulty: 1 Easy

Learning Objective: 02-02 Applying available tools or techniques to scan an organization's multiple environments and assessing stakeholder materiality.

24. Legal environmental intelligence includes:

A. Patterns of aggressive growth versus static maintenance.

B. Analysis of local, state, national, and international politics.

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D. Information regarding costs, prices, and international trade.

Accessibility: Keyboard Navigation

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25. The role of special interest groups is an important element in acquiring intelligence from the:

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Accessibility: Keyboard Navigation

Difficulty: 2 Medium

Learning Objective: 02-02 Applying available tools or techniques to scan an organization's multiple environments and assessing stakeholder materiality.

26. The relevance and importance of stakeholders and their issues is known as:

A. Stakeholder salience.

B. Competitive intelligence.

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Difficulty: 2 Medium

Learning Objective: 02-02 Applying available tools or techniques to scan an organization's multiple environments and assessing stakeholder materiality.

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27. The issues management process is a:

A. Beneficial tool used only to maximize the positive effects of a public issue for the organization's advantage.
B. Beneficial tool used only to minimize the negative effects of a public issue for the organization's advantage.
C. Systematic process companies use when responding to public issues that are of greatest importance to the business.
D. Confusing process that is rarely used to help top management within an organization.

Accessibility: Keyboard Navigation
Difficulty: 3 Hard
Learning Objective: 02-03 Describing the steps in the issue management process and determining how to make the process most effective.

28. The issue management process has how may stages?

A. Three.
B. Four.
C. Five.
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Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-03 Describing the steps in the issue management process and determining how to make the process most effective.

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29. The components of a typical issues management process include:

A. Identify issue.

B. Generate options.

C. Take action.

D. All of the above.

Accessibility: Keyboard Navigation

Difficulty: 1 Easy

Learning Objective: 02-03 Describing the steps in the issue management process and determining how to make the process most effective.

30. Once an issue has been identified, its implications must be:

A. Acted upon.

B. Analyzed.

C. Segmented.

D. Deleted.

Accessibility: Keyboard Navigation

Difficulty: 3 Hard

Learning Objective: 02-03 Describing the steps in the issue management process and determining how to make the process most effective.

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31. An issue's public profile indicates to managers:

A. How significant an issue is for the organization, but it does not tell them what to do.

B. Both how significant an issue is for the organization and exactly what to do.

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Difficulty: 3 Hard

Learning Objective: 02-03 Describing the steps in the issue management process and determining how to make the process most effective.

32. Once an organization has implemented the issue management program, it must:

A. Use trade associations or consultants to follow high priority issues.

B. Study the results and make necessary adjustments.

C. Not limit the number of public issues the firm can address.

D. Pick a selected number of issues to address immediately.

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Difficulty: 1 Easy

Learning Objective: 02-03 Describing the steps in the issue management process and determining how to make the process most effective.

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33. When working well, the issue management process:

A. Is static and never pulls in additional information that would disturb the balance.

B. Generates two specific options for each issue.

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Difficulty: 2 Medium

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A. Is a linear process.

B. Was useful in the 1970s, but not today.

C. Is used by all government agencies.

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35. A leadership role in addressing emerging management issues in often taken by:

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Difficulty: 1 Easy

Learning Objective: 02-04 Identifying the managerial skills required to respond to emerging issues effectively.

36. A corporation's issue management activities are usually linked to:

A. The board of directors.

B. Top management.

C. Both the board of directors and top management levels.

D. The strategic governance committee.

Accessibility: Keyboard Navigation

Difficulty: 2 Medium

Learning Objective: 02-04 Identifying the managerial skills required to respond to emerging issues effectively.

37. Over time, the nature of business's relationship with its stakeholders often:

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B. Evolves through a series of stages.

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Learning Objective: 02-05 Understanding how businesses can effectively engage with its stakeholders, what drives this engagement, and the role social media can play.

38. Firms that believe they can make decisions unilaterally, without taking into consideration their impact on others are:

A. Interactive companies.
B. Proactive companies.
C. Reactive companies.
D. Inactive companies.

Accessibility: Keyboard Navigation
Difficulty: 2 Medium
Learning Objective: 02-05 Understanding how businesses can effectively engage with its stakeholders, what drives this engagement, and the role social media can play.

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Difficulty: 3 Hard
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40. Proactive companies are:

A. Much less likely to be blindsided by crises and negative surprises.
B. Much more likely to be blindsided by crises and negative surprises.
C. Just as likely to be blindsided by crises and negative surprises.
D. Much more likely to be forced to defend itself in a lawsuit brought by a stakeholder.

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Difficulty: 2 Medium

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42. Stakeholder engagement is, at its core, a:

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B. Relationship.

C. Process.

D. Systems model.

Accessibility: Keyboard Navigation

Difficulty: 2 Medium

Learning Objective: 02-05 Understanding how businesses can effectively engage with its stakeholders, what drives this engagement, and the role social media can play.

43. The drivers of stakeholders of engagement are:

A. Scanning, assessment, and growth.

B. Data, strategy, and organizational development.

C. Goals, motivation, and operational capacity.

D. Financial, operational, and legal.

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Learning Objective: 02-05 Understanding how businesses can effectively engage with its stakeholders, what drives this engagement, and the role social media can play.

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44. A business and its stakeholders coming together for face-to-face conversations about issues of common concern is:

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B. Stakeholder motivation.
C. Stakeholder systems.
D. Stakeholder dialogue.

Accessibility: Keyboard Navigation
Difficulty: 3 Hard
Learning Objective: 02-06 Recognizing the value of creating stakeholder dialogue and networks.

45. Corporations working collaboratively with other businesses and concerned persons and organizations is an example of:

A. Stakeholder networks.
B. Stakeholder motivation.
C. Stakeholder systems.
D. Stakeholder salience.

Accessibility: Keyboard Navigation
Difficulty: 3 Hard
Learning Objective: 02-06 Recognizing the value of creating stakeholder dialogue and networks.

Short Answer Questions

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46. What is a public issue and how do they impact modern firms?

Answers may vary.

Difficulty: 3 Hard

Learning Objective: 02-01 Identifying public issues and analyzing gaps between corporate performance and stakeholder expectations.

47. What is competitive intelligence? Why is it important to the public affairs function?

Answers may vary.

Difficulty: 3 Hard

Learning Objective: 02-02 Applying available tools or techniques to scan an organization's multiple environments and assessing stakeholder materiality.

48. Identify the eight strategic radar screens that enable public affairs managers to scan their business environment. Briefly discuss the issues involved with each environment.

Answers may vary.

Difficulty: 3 Hard

Learning Objective: 02-02 Applying available tools or techniques to scan an organization's multiple environments and assessing stakeholder materiality.

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49. Give an example and explain why stakeholder materiality is important to both the company and its stakeholders.

Answers may vary.

Difficulty: 3 Hard

Learning Objective: 02-02 Applying available tools or techniques to scan an organization's multiple environments and assessing stakeholder materiality.

50. Identify and discuss the five steps to the Issues Management Process.

Answers may vary.

Difficulty: 3 Hard

Learning Objective: 02-03 Describing the steps in the issue management process and determining how to make the process most effective.

51. What are the various stages of the business-stakeholder relationship?

Answers may vary.

Difficulty: 3 Hard

Learning Objective: 02-05 Understanding how businesses can effectively engage with its stakeholders, what drives this engagement, and the role social media can play.

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52. Engaging interactively with stakeholders carries a number of potential benefits. Discuss.

Answers may vary.

Difficulty: 3 Hard

Learning Objective: 02-06 Recognizing the value of creating stakeholder dialogue and networks.

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