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Chapter 02 Stakeholder Relationships Social Responsibility and Coroporate Governance

MULTICHOICE

1. 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.

Answer : (C)

2. 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.

Answer : (A)

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

Answer : (B)

4. A firm that makes use of a _____ recognizes other stakeholders beyond investors, employees, and

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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

Answer : (D)

5. The degree to which a firm understands and addresses stakeholder demands can be referred to as

(A) a stakeholder orientation.

(B) a shareholder orientation.

(C) the stakeholder interaction model.

(D) a two-way street.

(E) a continuum.

Answer : (A)

6. Which of the following industries tends to generate a *high* level of trust from consumers and stakeholders?

(A) Insurance

(B) Technology

(C) Banks

(D) Mortgage lenders

(E) Financial services

Answer : (B)

7. Why is it important for businesses to recognize secondary stakeholder groups?

(A) They are absolutely necessary for the firm's survival.

(B) They include the employees necessary for the firm's success.

(C) They usually have more power than primary stakeholders.

(D) They provide vital resources that companies need.

(E) They have legitimacy and can exert power.

Answer : (E)

8. A stakeholder group that is absolutely necessary for a firm's survival is defined as

(A) direct.

(B) tertiary.

(C) secondary.

(D) special-interest.

(E) primary.

Answer : (E)

9. When unethical acts are discovered in a firm, in most instances

(A) they are caused by unwilling participants.

(B) the cause is due to external stakeholders.

(C) the perpetrators are caught and prosecuted.

(D) there was knowing cooperation or complicity from within the company.

(E) the cause is a corrupt Board of Directors.

Answer : (D)

10. The normative approach _____.

(A) focuses on the actual behavior of the firm and usually addresses how decisions and strategies are made for stakeholder relationships

(B) describes what happens if firms behave in a particular way

(C) is the degree to which a firm understands and addresses stakeholder demands

(D) describes reciprocal relationships between the firm and a host of stakeholders

(E) identifies guidelines that dictate how firms should treat stakeholders

Answer : (E)

11. A stakeholder orientation can be viewed as a(n)

(A) necessity for business success.

(B) continuum.

(C) polarizing concept.

(D) good marketing ploy.

(E) expensive proposition.

Answer : (B)

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?

(A) The promise of customer loyalty

(B) Material resources and/or intangible knowledge

(C) Infrastructure

(D) Revenue

(E) Leadership skills

Answer : (B)

13. Which of the following describes the four levels of social responsibility?

(A) economic, social, legal, and voluntary

(B) economic, legal, environmental, and ethical

(C) financial, legal, environmental, and philanthropic

(D) economic, financial, legal, and ethical

(E) economic, legal, ethical, and philanthropic

Answer : (E)

14. The first of the three activities that are associated with the stakeholder orientation is the

(A) organization-wide generation of data.

(B) organization's responsiveness to intelligence.

(C) set of consumer attributes identified.

(D) organizational strategy of target markets.

(E) human relations department's set of priorities.

Answer : (A)

15. Public health and safety and support of local organizations are issues most relevant to which stakeholder group?

(A) Investors

(B) Community

(C) Suppliers

(D) Customers

(E) Employees

Answer : (B)

16. Minimizing the use of energy and reducing emissions and waste are issues of importance to which stakeholder?

(A) Environmental groups

(B) Suppliers

(C) Employees

(D) Industry leaders

(E) Investors

Answer : (A)

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

(A) Adam Smith.

(B) Archie Carroll.

(C) Jack Ma.

(D) Noel Biderman

(E) Milton Friedman.

Answer : (E)

18. The originator of the idea of the *invisible hand*, which is a fundamental concept in free market capitalism, was

(A) Adam Smith.

(B) Archie Carroll.

(C) Jack Ma.

(D) Noel Biderman.

(E) Milton Friedman.

Answer : (A)

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?

(A) Adam Smith.

(B) Archie Carroll.

(C) Jack Ma.

(D) Noel Biderman.

(E) Milton Friedman.

Answer : (E)

20. _____ is the idea that because people live in a community, social rules should benefit the community.

(A) The stakeholder interaction model

(B) Consumer protection

(C) The common good

(D) Sustainability

(E) Corporate governance

Answer : (C)

21. 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.

Answer : (B)

22. In corporate governance, _____ is the process of auditing and improving organizational decisions and actions.

(A) profit

(B) loyalty

(C) accountability

(D) control

(E) diligence

Answer : (D)

23. Accountability, oversight, and control all fall under the definition and implementation of corporate

(A) profit.

(B) loyalty.

(C) care.

(D) governance.

(E) diligence.

Answer : (D)

24. Major corporate governance issues normally involve _____ decisions. (Choose the response that is *most* correct)

(A) strategic-level

(B) tactical-level

(C) divisional-level

(D) marketing-level

(E) accounting-level

Answer : (A)

25. Which of the following is a major ethical concern among corporate boards of directors?

(A) Compensation

(B) The non-traditional directorship approach

(C) Dividend reporting

(D) Secondary stakeholders

(E) Debt swaps

Answer : (A)

26. The purpose of a stakeholder orientation is to

(A) emphasize shareholders and provide them with a return on their investment.

(B) maximize positive outcomes that meet stakeholder needs.

(C) enhance the profitability of the firm.

(D) determine which stakeholders to address and which to ignore.

(E) allow stakeholders to determine the limits of executive compensation.

Answer : (B)

27. The specific steps for implementing the stakeholder perspective do *not* include which of the following?

(A) Identifying stakeholder groups

(B) Identifying stakeholder issues

(C) Identifying and gaining stakeholder feedback

(D) Identifying and gaining government feedback

(E) Assessing organizational commitment to social responsibility groups

Answer : (D)

28. What are the four levels of social responsibility?

(A) Financial, religious, ethical, and philanthropic

(B) Ethical, philanthropic, selfish, and short-sighted

(C) Economic, long-term, ethical, and philanthropic.

(D) Economic, legal, ethical, and philanthropic

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(E) Economic, compliance, legal, and philanthropic

Answer : (D)

29. The _____ model is founded in classic economic precepts.

(A) economic

(B) shareholder

(C) stakeholder

(D) board

(E) ISO

Answer : (B)

30. Which of the following are *not* typically secondary stakeholders?

(A) Television news anchors

(B) Special-interest groups

(C) Customers

(D) Trade associations

(E) Journalists

Answer : (C)

31. Which of the following are *not* typically primary stakeholders?

(A) Customers

(B) Trade associations

(C) Employees

(D) Shareholders

(E) Suppliers

Answer : (B)

32. Why do critics argue that high compensation for boards of directors is a bad thing?

(A) It is too expensive for the organization.

(B) It could cause conflicts of interest between the directors and the organization.

(C) It is not fair to poorly compensated employees.

(D) High pay will render the board less complacent.

(E) Board of director compensation is negatively related to corporate growth.

Answer : (B)

33. Board members being linked to more than one company is an example of

(A) strategic philanthropy.

(B) stakeholder commitment.

(C) interlocking directorate.

(D) conflict of interest.

(E) an illegal activity.

Answer : (C)

34. What is the first step in implementing a stakeholder perspective in an organization?

(A) Identifying resources and determining urgency

(B) Identifying stakeholder groups

(C) Identifying stakeholder issues

(D) Assessing the corporate culture

(E) Assessing organizational commitment to social responsibility

Answer : (D)

35. A stakeholder orientation is not complete unless it includes

(A) clear accounting procedures.

(B) major financing activities.

(C) marketing strategy.

(D) feedback from special-interest groups.

(E) activities that actually address stakeholder issues.

Answer : (E)

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ESSAY

36. Compare and contrast the stakeholder and shareholder models of corporate governance.

Graders Info :

The shareholder model of corporate governance is founded on classic economic precepts, including the goal of maximizing wealth for investors and owners. The stakeholder model of corporate governance adopts a broader view of the purpose of business and answers to all stakeholders.

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

Graders Info :

Lost finances can be regained but loss of reputation and shareholder confidence could be deadly.

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

Graders Info :

The stakeholder interaction model acknowledges there are reciprocal relationships between the company and several primary and secondary stakeholders. The model also acknowledges the dialogue between the company's internal and external environments. Primary stockholders are essential to the company's survival and include: employees, shareholders, suppliers, community, government regulatory agencies and customers. Secondary stakeholders are not essential to the company's survival and include: special interest groups, the mass media, competitors and trade associations.

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

Graders Info :

Many business people and scholars question the role of ethics and social responsibility in business. Legal and economic responsibilities are generally accepted as the most important determinants of performance. "If this is well done," say classic economic theorists, "profits are maximized more or less continuously and firms carry out their major responsibilities to society."

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

Graders Info :

Students could choose from any of several topics listed in the text and in Table 2-4 Corporate Governance Topics on page 43. Most students will choose executive compensation as one topic since it was discussed frequently in the text. Compensation is an issue because most people believe executives are not worth millions of dollars in annual salary and bonuses. Students may site JP Morgan's policy limiting executive pay to twenty times the pay of any other employee. There are several other issues including board composition, financial oversight, and shareholder rights.

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41. A broader view of social responsibility

(A) views customers as the most important stakeholder.

(B) takes into account a shareholder orientation.

(C) prioritizes all stakeholders the same way.

(D) considers the long-term welfare of society.

(E) emphasizes adherence to law as the highest priority.

Answer : (D)

42. Which of the following is one of an organization's greatest intangible assets with tangible values?

(A) reputation

(B) profitability

(C) philanthropic activities

(D) corporate governance

(E) shareholder value

Answer : (A)

TRUEFALSE

43. In *Dodge vs. Ford Motor Co.*, the court ruled that a business exists for the profit of shareholders, and the board of directors should focus on that objective.

(A) True

(B) False

Answer : (A)

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44. Social responsibility rests on a stakeholder orientation.

(A) True

(B) False

Answer : (A)

45. The final step in implementing a stakeholder perspective is identifying stakeholders.

(A) True

(B) False

Answer : (B)

46. *Ethics* and *social responsibility* can be used interchangeably.

(A) True

(B) False

Answer : (B)

47. Government regulators are a secondary stakeholder.

(A) True

(B) False

Answer : (B)

48. The board of directors' fiduciary duty to a company means they have assumed a position of trust and confidence that entails certain responsibilities.

(A) True

(B) False

Answer : (A)