Chapter 01

The Corporation and Its Stakeholders

**True / False Questions**

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| 1. | Walmart has been called a "template for 21st century capitalism."  True    False |

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| 2. | A business is any organization that is engaged in making a product or providing a service for a profit.  True    False |

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| --- | --- |
| 3. | Businesses and society are independent of one another.  True    False |

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| 4. | The stakeholder theory of the firm argues that a firm's sole purpose is to create value for its shareholders.  True    False |

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| 5. | The *instrumental argument* for the stakeholder theory of the firm says that companies perform better if they consider the rights and concerns of multiple groups in society.  True    False |

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| 6. | The *normative argument* for the stakeholder theory of the firm says that the stakeholder view is simply a more realistic description of how companies really work.  True    False |

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| --- | --- |
| 7. | Nonmarket stakeholders are those that engage in economic transactions with the company as it carries out its primary purpose of providing society with goods and services.  True    False |

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| --- | --- |
| 8. | Market stakeholders include nongovernmental organizations and the business support groups.  True    False |

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| 9. | Government can be considered both a market and nonmarket stakeholder.  True    False |

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| --- | --- |
| 10. | The interests of different stakeholders often coincide.  True    False |

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| --- | --- |
| 11. | Stakeholders involved with one part of a company often may have little or no involvement with another part of the company.  True    False |

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| --- | --- |
| 12. | Some scholars have suggested that managers pay the most attention to stakeholders possessing the least salience.  True    False |

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| --- | --- |
| 13. | Urgency refers to the extent to which a stakeholder's actions are seen as proper or appropriate by the broader society.  True    False |

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| --- | --- |
| 14. | A stakeholder map is a useful tool, because it enables managers to see quickly how stakeholders feel about an issue and whether salient stakeholders tend to be in favor or opposed.  True    False |

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| --- | --- |
| 15. | The external environment of business is static.  True    False |

**Multiple Choice Questions**

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16. | Which statement is not correct about the business-society interdependence?

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| --- | --- |
| A.  | Business is a part of society. |

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| --- | --- |
| B.  | Business is separated from the rest of society by clear boundaries. |

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| C.  | Business activities impact other activities in society. |

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| --- | --- |
| D.  | Actions by governments rarely affect business. |

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| 17. | Which of the following examples best illustrates the boundary exchanges a company would encounter according to the general systems theory?

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| --- | --- |
| A.  | An industrial company installs new equipment in its plant to comply with environmental regulations. |

|  |  |
| --- | --- |
| B.  | A software company develops an application for a client. |

|  |  |
| --- | --- |
| C.  | A purchasing department employee negotiates a price on parts from a supplier. |

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| --- | --- |
| D.  | All of the above. |

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| 18. | Which of the following is the result of the inseparable relationship between business and society?

|  |  |
| --- | --- |
| A.  | All business decisions have a social impact. |

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| --- | --- |
| B.  | The vitality of business depends on society's actions and attitudes. |

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| --- | --- |
| C.  | The survival of business is independent of society. |

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| --- | --- |
| D.  | Both A and B, but not C. |

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| 19. | Which of the following statements is not true about the interactive social system?

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| --- | --- |
| A.  | Business and society need, as well as influence, each other. |

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| --- | --- |
| B.  | The boundary between business and society is clear and distinct. |

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| --- | --- |
| C.  | Business is a part of society, and society penetrates far and often into the business. |

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| --- | --- |
| D.  | Business and society are both separate and connected. |

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| 20. | A firm subscribing to the ownership theory of the firm would mainly be concerned with providing value for its:

|  |  |
| --- | --- |
| A.  | Shareholders. |

|  |  |
| --- | --- |
| B.  | Customers. |

|  |  |
| --- | --- |
| C.  | Board of Directors. |

|  |  |
| --- | --- |
| D.  | Community. |

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|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. | Corporations that run their operations according to the stakeholder theory of the firm create value by:

|  |  |
| --- | --- |
| A.  | Innovating new products. |

|  |  |
| --- | --- |
| B.  | Increasing their stock price. |

|  |  |
| --- | --- |
| C.  | Developing their employees' professional skills. |

|  |  |
| --- | --- |
| D.  | All of the above. |

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| 22. | Which argument says that stakeholder management realistically depicts how companies really work?

|  |  |
| --- | --- |
| A.  | Descriptive argument. |

|  |  |
| --- | --- |
| B.  | Instrumental argument. |

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| --- | --- |
| C.  | Normative argument. |

|  |  |
| --- | --- |
| D.  | Fiduciary argument. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. | The instrumental argument says stakeholder management is:

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| --- | --- |
| A.  | A more realistic description of how companies really work. |

|  |  |
| --- | --- |
| B.  | More effective as a corporate strategy. |

|  |  |
| --- | --- |
| C.  | Simply the right thing to do. |

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| --- | --- |
| D.  | Determined by the amount of stock owned in the firm. |

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| 24. | The fiduciary duty of managers benefits a firm's:

|  |  |
| --- | --- |
| A.  | Shareholders. |

|  |  |
| --- | --- |
| B.  | Customers. |

|  |  |
| --- | --- |
| C.  | Employees. |

|  |  |
| --- | --- |
| D.  | All of the above. |

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| 25. | The main reason a number of European countries require public companies to include employee members on their boards of directors is so that:

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| A.  | The employees will be available to answer other board members' questions. |

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| --- | --- |
| B.  | Management will not have to attend the meetings. |

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| --- | --- |
| C.  | Employees interests will be explicitly represented. |

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| --- | --- |
| D.  | Employees will have more power than any other stakeholder. |

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| 26. | Stakeholder groups can include:

|  |  |
| --- | --- |
| A.  | Shareholders. |

|  |  |
| --- | --- |
| B.  | Business support groups. |

|  |  |
| --- | --- |
| C.  | Environmental activists. |

|  |  |
| --- | --- |
| D.  | All of the above. |

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| 27. | Which one of the following is considered to be a *nonmarket* stakeholder of business?

|  |  |
| --- | --- |
| A.  | Customers. |

|  |  |
| --- | --- |
| B.  | Nongovernmental organizations. |

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| --- | --- |
| C.  | Creditors. |

|  |  |
| --- | --- |
| D.  | Stockholders. |

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| 28. | Which of the following is not considered to be a *nonmarket* stakeholder?

|  |  |
| --- | --- |
| A.  | Government agencies. |

|  |  |
| --- | --- |
| B.  | Creditors. |

|  |  |
| --- | --- |
| C.  | Activist groups. |

|  |  |
| --- | --- |
| D.  | Non-governmental organizations. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. | All of the following are external stakeholders of the firm except:

|  |  |
| --- | --- |
| A.  | Managers. |

|  |  |
| --- | --- |
| B.  | Customers. |

|  |  |
| --- | --- |
| C.  | Shareholders. |

|  |  |
| --- | --- |
| D.  | Suppliers. |

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| 30. | The phenomenon of a person or group holding multiple stakeholder duties is referred to as:

|  |  |
| --- | --- |
| A.  | Role sets. |

|  |  |
| --- | --- |
| B.  | Primary stakeholder(s). |

|  |  |
| --- | --- |
| C.  | Ownership theory. |

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| --- | --- |
| D.  | None of the above. |

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| 31. | A stakeholder analysis:

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| A.  | Creates equality among all stakeholder interests. |

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| --- | --- |
| B.  | Allows managers to examine two primary questions. |

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| --- | --- |
| C.  | Involves understanding the nature of stakeholder interests. |

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| --- | --- |
| D.  | All of the above. |

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| 32. | The five types of stakeholders' power recognized by most experts are:

|  |  |
| --- | --- |
| A.  | Voting, economic, political, legal, and informational power. |

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| --- | --- |
| B.  | Social, legal, environmental, economic, and political power. |

|  |  |
| --- | --- |
| C.  | Social, regulatory, voting, governance, and information power. |

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| --- | --- |
| D.  | Economic, informational, legal, shareholder, and political power. |

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| 33. | Which of the following statements is (are) correct about stakeholders' power?

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| --- | --- |
| A.  | Different stakeholders have different types and degrees of power. |

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| --- | --- |
| B.  | Shareholders' voting power is limited to the percentage of share owned by the shareholder. |

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| --- | --- |
| C.  | It uses resources to achieve a desired decision or outcome. |

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| --- | --- |
| D.  | All of the above. |

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| 34. | Customers can exercise economic stakeholder power by:

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| --- | --- |
| A.  | Voting on a proposed merger for the company and a competitor. |

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| --- | --- |
| B.  | Boycotting products if they believe the goods are too expensive. |

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| --- | --- |
| C.  | Attending the company's annual meeting. |

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| --- | --- |
| D.  | Applying for a job with the company. |

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| 35. | Which of the following is not an example of stakeholders' economic power?

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| A.  | A supplier halts shipments to a business customer that demanded very low prices. |

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| --- | --- |
| B.  | A social group protests a government's decision to raise taxes. |

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| --- | --- |
| C.  | A local community boycotts a grocery store suspected of inaccurate weight scales. |

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| D.  | An equal rights group refuses to do business with a company that has a discriminatory hiring policy. |

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| 36. | When a community group sues a company for health effects caused by the unsafe disposal of toxic chemicals, this is an exercise of a stakeholder's:

|  |  |
| --- | --- |
| A.  | Legal power. |

|  |  |
| --- | --- |
| B.  | Voting power. |

|  |  |
| --- | --- |
| C.  | Economic power. |

|  |  |
| --- | --- |
| D.  | Political power. |

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| 37. | What stakeholder group(s) can exercise legal power?

|  |  |
| --- | --- |
| A.  | Employees. |

|  |  |
| --- | --- |
| B.  | Customers. |

|  |  |
| --- | --- |
| C.  | Shareholders. |

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| --- | --- |
| D.  | All of the above. |

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| 38. | What kind of power might a local community use to influence a company's decisions?

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| --- | --- |
| A.  | Publicizing an issue. |

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| --- | --- |
| B.  | Lobbying government policy makers for regulations. |

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| --- | --- |
| C.  | Challenging whether a business activity should continue to operate. |

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| --- | --- |
| D.  | All of the above. |

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| 39. | With the explosive growth of technologies that facilitate the sharing of information, this kind of stakeholder power has become increasingly important:

|  |  |
| --- | --- |
| A.  | Economic power. |

|  |  |
| --- | --- |
| B.  | Political power. |

|  |  |
| --- | --- |
| C.  | Informational power. |

|  |  |
| --- | --- |
| D.  | Legal power. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 40. | Stakeholders have been able to form international coalitions more successfully through use of:

|  |  |
| --- | --- |
| A.  | Government regulation. |

|  |  |
| --- | --- |
| B.  | Community involvement. |

|  |  |
| --- | --- |
| C.  | Communications technology. |

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| --- | --- |
| D.  | Unions. |

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| 41. | When something stands out from a background, is seen as important, or draws attention it is:

|  |  |
| --- | --- |
| A.  | Urgent. |

|  |  |
| --- | --- |
| B.  | Salient. |

|  |  |
| --- | --- |
| C.  | Powerful. |

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| --- | --- |
| D.  | Legitimate. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 42. | Stakeholders stand out to managers when they exhibit:

|  |  |
| --- | --- |
| A.  | Integrity, power, and legitimacy. |

|  |  |
| --- | --- |
| B.  | Power, legitimacy, and urgency. |

|  |  |
| --- | --- |
| C.  | Integrity, loyalty, and power. |

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| --- | --- |
| D.  | Legitimacy, loyalty, and urgency. |

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| 43. | A stakeholder map is a useful tool because:

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| --- | --- |
| A.  | It enables mangers to see quickly how stakeholders feel about an issue. |

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| --- | --- |
| B.  | It allows managers to evaluate what outcomes are likely regarding an issue. |

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| --- | --- |
| C.  | It helps managers discourage or dissolve stakeholder coalitions. |

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| D.  | Both A and B, but not C. |

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| 44. | Departments, or offices, within an organization that reach across the dividing line that separates the company from groups and people in society are:

|  |  |
| --- | --- |
| A.  | Inter-departmental divisions. |

|  |  |
| --- | --- |
| B.  | Geographical location areas. |

|  |  |
| --- | --- |
| C.  | Boundary-spanning departments. |

|  |  |
| --- | --- |
| D.  | Organizational maps. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 45. | Interactions between business and society occur:

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| --- | --- |
| A.  | Within a finite natural ecosystem. |

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| --- | --- |
| B.  | Only during an environmental crisis. |

|  |  |
| --- | --- |
| C.  | When business employees and the community are of similar cultural backgrounds. |

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| --- | --- |
| D.  | When legislation is passed requiring interaction. |

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**Short Answer Questions**

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| --- | --- |
| 46. | Describe how general systems theory can be applied to a business.      |

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| --- | --- |
| 47. | Supporters of the stakeholder theory of the firm make three core arguments for their position. Define and provide examples of each.      |

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| 48. | Compare and contrast the relationships a firm may have with market and non-market stakeholders.      |

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| --- | --- |
| 49. | Discuss why a manager should, or should not, be considered a stakeholder.      |

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| 50. | Explain the process called stakeholder analysis. Include a description of its four key questions.      |

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| 51. | What is a stakeholder map? Why is it a useful tool?      |

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| --- | --- |
| 52. | Describe and give examples of the external forces that shape the relationship between business and society.      |

Chapter 01 The Corporation and Its Stakeholders Answer Key

**True / False Questions**

|  |  |
| --- | --- |
| 1. | Walmart has been called a "template for 21st century capitalism."  **TRUE** |

|  |
| --- |
| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-01 Understanding the relationship between business and society and the ways in which business and society are part of an interactive system.* |

|  |  |
| --- | --- |
| 2. | A business is any organization that is engaged in making a product or providing a service for a profit.  **TRUE** |

|  |
| --- |
| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-01 Understanding the relationship between business and society and the ways in which business and society are part of an interactive system.* |

|  |  |
| --- | --- |
| 3. | Businesses and society are independent of one another.  **FALSE** |

|  |
| --- |
| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-01 Understanding the relationship between business and society and the ways in which business and society are part of an interactive system.* |

|  |  |
| --- | --- |
| 4. | The stakeholder theory of the firm argues that a firm's sole purpose is to create value for its shareholders.  **FALSE** |

|  |
| --- |
| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-02 Considering the purpose of the modern corporation.* |

|  |  |
| --- | --- |
| 5. | The *instrumental argument* for the stakeholder theory of the firm says that companies perform better if they consider the rights and concerns of multiple groups in society.  **TRUE** |

|  |
| --- |
| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-02 Considering the purpose of the modern corporation.* |

|  |  |
| --- | --- |
| 6. | The *normative argument* for the stakeholder theory of the firm says that the stakeholder view is simply a more realistic description of how companies really work.  **FALSE** |

|  |
| --- |
| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-02 Considering the purpose of the modern corporation.* |

|  |  |
| --- | --- |
| 7. | Nonmarket stakeholders are those that engage in economic transactions with the company as it carries out its primary purpose of providing society with goods and services.  **FALSE** |

|  |
| --- |
| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-03 Knowing what a stakeholder is and who a corporation's market and nonmarket and internal and external stakeholders are.* |

|  |  |
| --- | --- |
| 8. | Market stakeholders include nongovernmental organizations and the business support groups.  **FALSE** |

|  |
| --- |
| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-03 Knowing what a stakeholder is and who a corporation's market and nonmarket and internal and external stakeholders are.* |

|  |  |
| --- | --- |
| 9. | Government can be considered both a market and nonmarket stakeholder.  **TRUE** |

|  |
| --- |
| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-03 Knowing what a stakeholder is and who a corporation's market and nonmarket and internal and external stakeholders are.* |

|  |  |
| --- | --- |
| 10. | The interests of different stakeholders often coincide.  **TRUE** |

|  |
| --- |
| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |
| --- | --- |
| 11. | Stakeholders involved with one part of a company often may have little or no involvement with another part of the company.  **TRUE** |

|  |
| --- |
| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |
| --- | --- |
| 12. | Some scholars have suggested that managers pay the most attention to stakeholders possessing the least salience.  **FALSE** |

|  |
| --- |
| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |
| --- | --- |
| 13. | Urgency refers to the extent to which a stakeholder's actions are seen as proper or appropriate by the broader society.  **FALSE** |

|  |
| --- |
| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |
| --- | --- |
| 14. | A stakeholder map is a useful tool, because it enables managers to see quickly how stakeholders feel about an issue and whether salient stakeholders tend to be in favor or opposed.  **TRUE** |

|  |
| --- |
| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |
| --- | --- |
| 15. | The external environment of business is static.  **FALSE** |

|  |
| --- |
| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-06 Analyzing the forces of change that continually reshape the business and society relationship.* |

**Multiple Choice Questions**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16. | Which statement is not correct about the business-society interdependence?

|  |  |
| --- | --- |
| A.  | Business is a part of society. |

|  |  |
| --- | --- |
| B.  | Business is separated from the rest of society by clear boundaries. |

|  |  |
| --- | --- |
| C.  | Business activities impact other activities in society. |

|  |  |
| --- | --- |
| **D.**  | Actions by governments rarely affect business. |

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| *Accessibility: Keyboard NavigationDifficulty: 2 MediumLearning Objective: 01-01 Understanding the relationship between business and society and the ways in which business and society are part of an interactive system.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. | Which of the following examples best illustrates the boundary exchanges a company would encounter according to the general systems theory?

|  |  |
| --- | --- |
| A.  | An industrial company installs new equipment in its plant to comply with environmental regulations. |

|  |  |
| --- | --- |
| B.  | A software company develops an application for a client. |

|  |  |
| --- | --- |
| C.  | A purchasing department employee negotiates a price on parts from a supplier. |

|  |  |
| --- | --- |
| **D.**  | All of the above. |

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| *Accessibility: Keyboard NavigationDifficulty: 3 HardLearning Objective: 01-01 Understanding the relationship between business and society and the ways in which business and society are part of an interactive system.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. | Which of the following is the result of the inseparable relationship between business and society?

|  |  |
| --- | --- |
| A.  | All business decisions have a social impact. |

|  |  |
| --- | --- |
| B.  | The vitality of business depends on society's actions and attitudes. |

|  |  |
| --- | --- |
| C.  | The survival of business is independent of society. |

|  |  |
| --- | --- |
| **D.**  | Both A and B, but not C. |

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| *Accessibility: Keyboard NavigationDifficulty: 2 MediumLearning Objective: 01-01 Understanding the relationship between business and society and the ways in which business and society are part of an interactive system.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 19. | Which of the following statements is not true about the interactive social system?

|  |  |
| --- | --- |
| A.  | Business and society need, as well as influence, each other. |

|  |  |
| --- | --- |
| **B.**  | The boundary between business and society is clear and distinct. |

|  |  |
| --- | --- |
| C.  | Business is a part of society, and society penetrates far and often into the business. |

|  |  |
| --- | --- |
| D.  | Business and society are both separate and connected. |

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| *Accessibility: Keyboard NavigationDifficulty: 3 HardLearning Objective: 01-01 Understanding the relationship between business and society and the ways in which business and society are part of an interactive system.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20. | A firm subscribing to the ownership theory of the firm would mainly be concerned with providing value for its:

|  |  |
| --- | --- |
| **A.**  | Shareholders. |

|  |  |
| --- | --- |
| B.  | Customers. |

|  |  |
| --- | --- |
| C.  | Board of Directors. |

|  |  |
| --- | --- |
| D.  | Community. |

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| *Accessibility: Keyboard NavigationDifficulty: 2 MediumLearning Objective: 01-02 Considering the purpose of the modern corporation.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. | Corporations that run their operations according to the stakeholder theory of the firm create value by:

|  |  |
| --- | --- |
| A.  | Innovating new products. |

|  |  |
| --- | --- |
| B.  | Increasing their stock price. |

|  |  |
| --- | --- |
| C.  | Developing their employees' professional skills. |

|  |  |
| --- | --- |
| **D.**  | All of the above. |

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| *Accessibility: Keyboard NavigationDifficulty: 2 MediumLearning Objective: 01-02 Considering the purpose of the modern corporation.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. | Which argument says that stakeholder management realistically depicts how companies really work?

|  |  |
| --- | --- |
| **A.**  | Descriptive argument. |

|  |  |
| --- | --- |
| B.  | Instrumental argument. |

|  |  |
| --- | --- |
| C.  | Normative argument. |

|  |  |
| --- | --- |
| D.  | Fiduciary argument. |

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| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-02 Considering the purpose of the modern corporation.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. | The instrumental argument says stakeholder management is:

|  |  |
| --- | --- |
| A.  | A more realistic description of how companies really work. |

|  |  |
| --- | --- |
| **B.**  | More effective as a corporate strategy. |

|  |  |
| --- | --- |
| C.  | Simply the right thing to do. |

|  |  |
| --- | --- |
| D.  | Determined by the amount of stock owned in the firm. |

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| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-02 Considering the purpose of the modern corporation.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. | The fiduciary duty of managers benefits a firm's:

|  |  |
| --- | --- |
| A.  | Shareholders. |

|  |  |
| --- | --- |
| B.  | Customers. |

|  |  |
| --- | --- |
| C.  | Employees. |

|  |  |
| --- | --- |
| **D.**  | All of the above. |

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| *Accessibility: Keyboard NavigationDifficulty: 2 MediumLearning Objective: 01-02 Considering the purpose of the modern corporation.* |

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| 25. | The main reason a number of European countries require public companies to include employee members on their boards of directors is so that:

|  |  |
| --- | --- |
| A.  | The employees will be available to answer other board members' questions. |

|  |  |
| --- | --- |
| B.  | Management will not have to attend the meetings. |

|  |  |
| --- | --- |
| **C.**  | Employees interests will be explicitly represented. |

|  |  |
| --- | --- |
| D.  | Employees will have more power than any other stakeholder. |

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| *Accessibility: Keyboard NavigationDifficulty: 2 MediumLearning Objective: 01-02 Considering the purpose of the modern corporation.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. | Stakeholder groups can include:

|  |  |
| --- | --- |
| A.  | Shareholders. |

|  |  |
| --- | --- |
| B.  | Business support groups. |

|  |  |
| --- | --- |
| C.  | Environmental activists. |

|  |  |
| --- | --- |
| **D.**  | All of the above. |

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| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-03 Knowing what a stakeholder is and who a corporation's market and nonmarket and internal and external stakeholders are.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. | Which one of the following is considered to be a *nonmarket* stakeholder of business?

|  |  |
| --- | --- |
| A.  | Customers. |

|  |  |
| --- | --- |
| **B.**  | Nongovernmental organizations. |

|  |  |
| --- | --- |
| C.  | Creditors. |

|  |  |
| --- | --- |
| D.  | Stockholders. |

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| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-03 Knowing what a stakeholder is and who a corporation's market and nonmarket and internal and external stakeholders are.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 28. | Which of the following is not considered to be a *nonmarket* stakeholder?

|  |  |
| --- | --- |
| A.  | Government agencies. |

|  |  |
| --- | --- |
| **B.**  | Creditors. |

|  |  |
| --- | --- |
| C.  | Activist groups. |

|  |  |
| --- | --- |
| D.  | Non-governmental organizations. |

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| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-03 Knowing what a stakeholder is and who a corporation's market and nonmarket and internal and external stakeholders are.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. | All of the following are external stakeholders of the firm except:

|  |  |
| --- | --- |
| **A.**  | Managers. |

|  |  |
| --- | --- |
| B.  | Customers. |

|  |  |
| --- | --- |
| C.  | Shareholders. |

|  |  |
| --- | --- |
| D.  | Suppliers. |

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| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-03 Knowing what a stakeholder is and who a corporation's market and nonmarket and internal and external stakeholders are.* |

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| 30. | The phenomenon of a person or group holding multiple stakeholder duties is referred to as:

|  |  |
| --- | --- |
| **A.**  | Role sets. |

|  |  |
| --- | --- |
| B.  | Primary stakeholder(s). |

|  |  |
| --- | --- |
| C.  | Ownership theory. |

|  |  |
| --- | --- |
| D.  | None of the above. |

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| *Accessibility: Keyboard NavigationDifficulty: 2 MediumLearning Objective: 01-03 Knowing what a stakeholder is and who a corporation's market and nonmarket and internal and external stakeholders are.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31. | A stakeholder analysis:

|  |  |
| --- | --- |
| A.  | Creates equality among all stakeholder interests. |

|  |  |
| --- | --- |
| B.  | Allows managers to examine two primary questions. |

|  |  |
| --- | --- |
| **C.**  | Involves understanding the nature of stakeholder interests. |

|  |  |
| --- | --- |
| D.  | All of the above. |

 |

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| *Accessibility: Keyboard NavigationDifficulty: 2 MediumLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 32. | The five types of stakeholders' power recognized by most experts are:

|  |  |
| --- | --- |
| **A.**  | Voting, economic, political, legal, and informational power. |

|  |  |
| --- | --- |
| B.  | Social, legal, environmental, economic, and political power. |

|  |  |
| --- | --- |
| C.  | Social, regulatory, voting, governance, and information power. |

|  |  |
| --- | --- |
| D.  | Economic, informational, legal, shareholder, and political power. |

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| *Accessibility: Keyboard NavigationDifficulty: 2 MediumLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 33. | Which of the following statements is (are) correct about stakeholders' power?

|  |  |
| --- | --- |
| A.  | Different stakeholders have different types and degrees of power. |

|  |  |
| --- | --- |
| B.  | Shareholders' voting power is limited to the percentage of share owned by the shareholder. |

|  |  |
| --- | --- |
| C.  | It uses resources to achieve a desired decision or outcome. |

|  |  |
| --- | --- |
| **D.**  | All of the above. |

 |

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| *Accessibility: Keyboard NavigationDifficulty: 3 HardLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 34. | Customers can exercise economic stakeholder power by:

|  |  |
| --- | --- |
| A.  | Voting on a proposed merger for the company and a competitor. |

|  |  |
| --- | --- |
| **B.**  | Boycotting products if they believe the goods are too expensive. |

|  |  |
| --- | --- |
| C.  | Attending the company's annual meeting. |

|  |  |
| --- | --- |
| D.  | Applying for a job with the company. |

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| *Accessibility: Keyboard NavigationDifficulty: 2 MediumLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 35. | Which of the following is not an example of stakeholders' economic power?

|  |  |
| --- | --- |
| A.  | A supplier halts shipments to a business customer that demanded very low prices. |

|  |  |
| --- | --- |
| **B.**  | A social group protests a government's decision to raise taxes. |

|  |  |
| --- | --- |
| C.  | A local community boycotts a grocery store suspected of inaccurate weight scales. |

|  |  |
| --- | --- |
| D.  | An equal rights group refuses to do business with a company that has a discriminatory hiring policy. |

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| *Accessibility: Keyboard NavigationDifficulty: 3 HardLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 36. | When a community group sues a company for health effects caused by the unsafe disposal of toxic chemicals, this is an exercise of a stakeholder's:

|  |  |
| --- | --- |
| **A.**  | Legal power. |

|  |  |
| --- | --- |
| B.  | Voting power. |

|  |  |
| --- | --- |
| C.  | Economic power. |

|  |  |
| --- | --- |
| D.  | Political power. |

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| *Accessibility: Keyboard NavigationDifficulty: 2 MediumLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 37. | What stakeholder group(s) can exercise legal power?

|  |  |
| --- | --- |
| A.  | Employees. |

|  |  |
| --- | --- |
| B.  | Customers. |

|  |  |
| --- | --- |
| C.  | Shareholders. |

|  |  |
| --- | --- |
| **D.**  | All of the above. |

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| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 38. | What kind of power might a local community use to influence a company's decisions?

|  |  |
| --- | --- |
| A.  | Publicizing an issue. |

|  |  |
| --- | --- |
| B.  | Lobbying government policy makers for regulations. |

|  |  |
| --- | --- |
| C.  | Challenging whether a business activity should continue to operate. |

|  |  |
| --- | --- |
| **D.**  | All of the above. |

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| *Accessibility: Keyboard NavigationDifficulty: 3 HardLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 39. | With the explosive growth of technologies that facilitate the sharing of information, this kind of stakeholder power has become increasingly important:

|  |  |
| --- | --- |
| A.  | Economic power. |

|  |  |
| --- | --- |
| B.  | Political power. |

|  |  |
| --- | --- |
| **C.**  | Informational power. |

|  |  |
| --- | --- |
| D.  | Legal power. |

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| *Accessibility: Keyboard NavigationDifficulty: 2 MediumLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 40. | Stakeholders have been able to form international coalitions more successfully through use of:

|  |  |
| --- | --- |
| A.  | Government regulation. |

|  |  |
| --- | --- |
| B.  | Community involvement. |

|  |  |
| --- | --- |
| **C.**  | Communications technology. |

|  |  |
| --- | --- |
| D.  | Unions. |

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| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

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| 41. | When something stands out from a background, is seen as important, or draws attention it is:

|  |  |
| --- | --- |
| A.  | Urgent. |

|  |  |
| --- | --- |
| **B.**  | Salient. |

|  |  |
| --- | --- |
| C.  | Powerful. |

|  |  |
| --- | --- |
| D.  | Legitimate. |

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| *Accessibility: Keyboard NavigationDifficulty: 2 MediumLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 42. | Stakeholders stand out to managers when they exhibit:

|  |  |
| --- | --- |
| A.  | Integrity, power, and legitimacy. |

|  |  |
| --- | --- |
| **B.**  | Power, legitimacy, and urgency. |

|  |  |
| --- | --- |
| C.  | Integrity, loyalty, and power. |

|  |  |
| --- | --- |
| D.  | Legitimacy, loyalty, and urgency. |

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| *Accessibility: Keyboard NavigationDifficulty: 3 HardLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 43. | A stakeholder map is a useful tool because:

|  |  |
| --- | --- |
| A.  | It enables mangers to see quickly how stakeholders feel about an issue. |

|  |  |
| --- | --- |
| B.  | It allows managers to evaluate what outcomes are likely regarding an issue. |

|  |  |
| --- | --- |
| C.  | It helps managers discourage or dissolve stakeholder coalitions. |

|  |  |
| --- | --- |
| **D.**  | Both A and B, but not C. |

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| *Accessibility: Keyboard NavigationDifficulty: 3 HardLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

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| 44. | Departments, or offices, within an organization that reach across the dividing line that separates the company from groups and people in society are:

|  |  |
| --- | --- |
| A.  | Inter-departmental divisions. |

|  |  |
| --- | --- |
| B.  | Geographical location areas. |

|  |  |
| --- | --- |
| **C.**  | Boundary-spanning departments. |

|  |  |
| --- | --- |
| D.  | Organizational maps. |

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| *Accessibility: Keyboard NavigationDifficulty: 1 EasyLearning Objective: 01-05 Recognizing the diverse ways in which modern corporations organize internally to interact with various stakeholders.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 45. | Interactions between business and society occur:

|  |  |
| --- | --- |
| **A.**  | Within a finite natural ecosystem. |

|  |  |
| --- | --- |
| B.  | Only during an environmental crisis. |

|  |  |
| --- | --- |
| C.  | When business employees and the community are of similar cultural backgrounds. |

|  |  |
| --- | --- |
| D.  | When legislation is passed requiring interaction. |

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| *Accessibility: Keyboard NavigationDifficulty: 2 MediumLearning Objective: 01-06 Analyzing the forces of change that continually reshape the business and society relationship.* |

**Short Answer Questions**

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| 46. | Describe how general systems theory can be applied to a business.  Answers may vary. |

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| *Difficulty: 3 HardLearning Objective: 01-01 Understanding the relationship between business and society and the ways in which business and society are part of an interactive system.* |

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| 47. | Supporters of the stakeholder theory of the firm make three core arguments for their position. Define and provide examples of each.  Answers may vary. |

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| *Difficulty: 3 HardLearning Objective: 01-02 Considering the purpose of the modern corporation.* |

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| --- | --- |
| 48. | Compare and contrast the relationships a firm may have with market and non-market stakeholders.  Answers may vary. |

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| *Difficulty: 3 HardLearning Objective: 01-03 Knowing what a stakeholder is and who a corporation's market and nonmarket and internal and external stakeholders are.* |

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| 49. | Discuss why a manager should, or should not, be considered a stakeholder.  Answers may vary. |

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| *Difficulty: 3 HardLearning Objective: 01-03 Knowing what a stakeholder is and who a corporation's market and nonmarket and internal and external stakeholders are.* |

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| 50. | Explain the process called stakeholder analysis. Include a description of its four key questions.  Answers may vary. |

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| *Difficulty: 3 HardLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

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| 51. | What is a stakeholder map? Why is it a useful tool?  Answers may vary. |

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| *Difficulty: 3 HardLearning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

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| --- | --- |
| 52. | Describe and give examples of the external forces that shape the relationship between business and society.  Answers may vary. |

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| *Difficulty: 3 HardLearning Objective: 01-06 Analyzing the forces of change that continually reshape the business and society relationship.* |