Chapter 01

The Corporation and Its Stakeholders

**True / False Questions**

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

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

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

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

|  |  |
| --- | --- |
| 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 |

|  |  |
| --- | --- |
| 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 |

|  |  |
| --- | --- |
| 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 |

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

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

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

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

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

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

|  |  |
| --- | --- |
| 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 |

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

**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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. | The fiduciary duty of managers benefits a firm's:      |  |  | | --- | --- | | A. | Shareholders. |  |  |  | | --- | --- | | B. | Customers. |  |  |  | | --- | --- | | C. | Employees. |  |  |  | | --- | --- | | D. | All of the above. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. | Stakeholder groups can include:      |  |  | | --- | --- | | A. | Shareholders. |  |  |  | | --- | --- | | B. | Business support groups. |  |  |  | | --- | --- | | C. | Environmental activists. |  |  |  | | --- | --- | | D. | All of the above. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. | Which one of the following is considered to be a *nonmarket* stakeholder of business?      |  |  | | --- | --- | | A. | Customers. |  |  |  | | --- | --- | | B. | Nongovernmental organizations. |  |  |  | | --- | --- | | C. | Creditors. |  |  |  | | --- | --- | | D. | Stockholders. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. | All of the following are external stakeholders of the firm except:      |  |  | | --- | --- | | A. | Managers. |  |  |  | | --- | --- | | B. | Customers. |  |  |  | | --- | --- | | C. | Shareholders. |  |  |  | | --- | --- | | D. | Suppliers. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 37. | What stakeholder group(s) can exercise legal power?      |  |  | | --- | --- | | A. | Employees. |  |  |  | | --- | --- | | B. | Customers. |  |  |  | | --- | --- | | C. | Shareholders. |  |  |  | | --- | --- | | D. | All of the above. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

**Short Answer Questions**

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

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

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

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

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

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

|  |  |
| --- | --- |
| 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 Navigation Difficulty: 1 Easy Learning 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 Navigation Difficulty: 1 Easy Learning 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 Navigation Difficulty: 1 Easy Learning 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 Navigation Difficulty: 1 Easy Learning 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 Navigation Difficulty: 1 Easy Learning 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 Navigation Difficulty: 1 Easy Learning 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 Navigation Difficulty: 1 Easy Learning 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 Navigation Difficulty: 1 Easy Learning 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 Navigation Difficulty: 1 Easy Learning 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 Navigation Difficulty: 1 Easy Learning 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 Navigation Difficulty: 1 Easy Learning 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 Navigation Difficulty: 1 Easy Learning 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 Navigation Difficulty: 1 Easy Learning 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 Navigation Difficulty: 1 Easy Learning 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 Navigation Difficulty: 1 Easy Learning 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. | |

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

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

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

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

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

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

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

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-02 Considering the purpose of the modern corporation.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-02 Considering the purpose of the modern corporation.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-02 Considering the purpose of the modern corporation.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-02 Considering the purpose of the modern corporation.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. | The fiduciary duty of managers benefits a firm's:      |  |  | | --- | --- | | A. | Shareholders. |  |  |  | | --- | --- | | B. | Customers. |  |  |  | | --- | --- | | C. | Employees. |  |  |  | | --- | --- | | **D.** | All of the above. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-02 Considering the purpose of the modern corporation.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-02 Considering the purpose of the modern corporation.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. | Stakeholder groups can include:      |  |  | | --- | --- | | A. | Shareholders. |  |  |  | | --- | --- | | B. | Business support groups. |  |  |  | | --- | --- | | C. | Environmental activists. |  |  |  | | --- | --- | | **D.** | All of the above. | |

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

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. | Which one of the following is considered to be a *nonmarket* stakeholder of business?      |  |  | | --- | --- | | A. | Customers. |  |  |  | | --- | --- | | **B.** | Nongovernmental organizations. |  |  |  | | --- | --- | | C. | Creditors. |  |  |  | | --- | --- | | D. | Stockholders. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning 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. | |

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

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. | All of the following are external stakeholders of the firm except:      |  |  | | --- | --- | | **A.** | Managers. |  |  |  | | --- | --- | | B. | Customers. |  |  |  | | --- | --- | | C. | Shareholders. |  |  |  | | --- | --- | | D. | Suppliers. | |

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

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

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

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 3 Hard Learning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 3 Hard Learning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 37. | What stakeholder group(s) can exercise legal power?      |  |  | | --- | --- | | A. | Employees. |  |  |  | | --- | --- | | B. | Customers. |  |  |  | | --- | --- | | C. | Shareholders. |  |  |  | | --- | --- | | **D.** | All of the above. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 3 Hard Learning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 1 Easy Learning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 3 Hard Learning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 3 Hard Learning Objective: 01-04 Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

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

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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. | |

|  |
| --- |
| *Accessibility: Keyboard Navigation Difficulty: 2 Medium Learning Objective: 01-06 Analyzing the forces of change that continually reshape the business and society relationship.* |

**Short Answer Questions**

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

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

|  |  |
| --- | --- |
| 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. |

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

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

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

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

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

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

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

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

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

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

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