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BUSINESS ETHICS

ETHICAL DECISION MAKING AND CASES



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EIGHTH EDITION

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

MULTIPLE CHOICE

1. Stakeholders' power over businesses stems from their
- ability to withdraw resources.
 - ability to raise funds.
 - media savvy.
 - political clout.
 - stock ownership.

ANS: A PTS: 1

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

ANS: C PTS: 1

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

ANS: B PTS: 1

4. The stakeholder ____ recognizes other stakeholders beyond investors, employees, and suppliers, and explicitly acknowledges the two-way dialog and effects that exist with a firm's internal and external environment.
- orientation
 - bias
 - dichotomy model
 - interaction model
 - interface model

ANS: D PTS: 1

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

ANS: A PTS: 1

6. An online discussion forum, where visitors can express their opinions on the company's activities and their implications, like that offered by Shell, exemplifies which stakeholder orientation activity?
- Stakeholder interaction
 - The generation of data about stakeholder groups and assessment of the firm's effects on these groups
 - The distribution of stakeholder information throughout the firm
 - The organization's responsiveness as a whole to intelligence about stakeholder groups and their concerns
 - The generation of data about stakeholder groups and distribution of that information throughout the firm so that the firm can counter those firms

ANS: B PTS: 1

7. A stakeholder orientation is not complete unless it includes
- accounting.
 - finance.
 - marketing.
 - special-interest groups.
 - activities that actually address stakeholder issues.

ANS: E PTS: 1

8. The stakeholder group mentioned in the text that is absolutely necessary for survival is defined as
- Directors.
 - Tertiary.
 - Secondary.
 - Special-Interest Groups.
 - Primary.

ANS: E PTS: 1

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

ANS: D PTS: 1

10. Ethical misconduct and decisions that damage stakeholders will generally impact (a)
- company's reputation from an investor's perspective.
 - company's reputation from a consumer's perspective.
 - company's reputation and confidence level.
 - shareholder value.
 - All of these statements are true.

ANS: E PTS: 1

11. Which of the following does not play a direct role in reforms to improve corporate accountability and transparency?
- Banks
 - Consumers
 - Attorneys

- d. Public accounting firms
- e. Regulators

ANS: B PTS: 1

12. Shareholders provide resources that are critical to a firm's long term success in the form of tangible and intangibles. Which of the following does the book suggest that suppliers offer?
- a. Loyalty
 - b. Mmaterial resources or intangible knowledge
 - c. Infrastructure
 - d. Generate revenue
 - e. Leadership

ANS: B PTS: 1

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

ANS: E PTS: 1

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

ANS: A PTS: 1

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

ANS: B PTS: 1

16. Minimizing the use of energy and reducing emissions and waste are issues of critical importance to which stakeholder group?
- a. Environmental groups
 - b. Suppliers
 - c. Employees
 - d. Industry leaders
 - e. Investors

ANS: A PTS: 1

17. The idea that the mission of business is to produce goods and services at a profit, thus maximizing its contribution to society is associated with
- a. Adam Smith.

- b. Theodore Levitt.
- c. Norman Bowie.
- d. Herman Miller
- e. Milton Friedman.

ANS: E PTS: 1

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

ANS: A PTS: 1

19. The *common good* was associated with *propriety*, *prudence*, *reason*, and *sentiment* by
- a. Adam Smith.
 - b. Theodore Levitt.
 - c. Norman Bowie.
 - d. Herman Miller
 - e. Milton Friedman.

ANS: A PTS: 1

20. ____ argued that, although profits are required for business as eating is required for living, profit is not the primary purpose of business.
- a. Adam Smith
 - b. Theodore Levitt
 - c. Norman Bowie
 - d. Herman Miller
 - e. Milton Friedman

ANS: B PTS: 1

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

ANS: C PTS: 1

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

ANS: A PTS: 1

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

ANS: C PTS: 1

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

ANS: C PTS: 1

25. Which ISO guideline was established as a corporate responsibility regulation that cannot be used for certification purposes, but is meant to encourage discussions on the role of social responsibility and the importance of stakeholders?
- 3000
 - 2000
 - 265000
 - 26000
 - 1400

ANS: D PTS: 1

26. Which ISO guidelines pertains to environmental regulation standards and was designed to help reduce a firm's pollution, waste, and carbon footprint?
- 3000
 - 2000
 - 265000
 - 26000
 - 1400

ANS: E PTS: 1

27. The best term to use to express how a firm meets its stakeholders expectations of economic and ethical responsibilities is referred to as
- reputation.
 - corporate citizenship.
 - corporate ethical audit.
 - ethical citizenship.
 - fiduciary citizenship.

ANS: B PTS: 1

28. The stakeholder model argues that a firm's _____ should balance the interests and conflicts of the various stakeholders.
- management
 - CEO and CFO
 - Board of Directors

- d. entire management staff
- e. entire executive suite

ANS: C PTS: 1

29. ____ is the process of auditing and improving organizational decisions and actions.
- a. Profit
 - b. Loyalty
 - c. Accountability
 - d. Control
 - e. Diligence

ANS: D PTS: 1

30. Accountability, oversight, and control all fall under the definition and implementation of corporate
- a. profit.
 - b. loyalty.
 - c. care.
 - d. governance.
 - e. diligence.

ANS: D PTS: 1

31. Major corporate governance issues normally involve ____ decisions.
- a. strategic-level
 - b. tactical-level
 - c. divisional-level
 - d. marketing-level
 - e. accounting-level

ANS: A PTS: 1

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

ANS: A PTS: 1

33. One way through which shareholder activists can evoke change in the structure of boards and the level of accountability of corporations is through
- a. proxy battles.
 - b. board of director voting processes.
 - c. CEO wages.
 - d. negative Initial public offering campaigns.
 - e. more unionization.

ANS: B PTS: 1

34. One policy for limiting executive pay, implemented at J.P. Morgan, was that top managers should earn no more than ____-times the pay of any other employee.
- a. 5
 - b. 20

- c. 100
- d. 150
- e. 500

ANS: B PTS: 1

35. According to the text, the specific steps for implementing the stakeholder perspective do not include which of the following?
- a. Identifying stakeholder groups
 - b. Identifying stakeholder issues
 - c. Identifying and gaining stakeholder feedback
 - d. Identifying and gaining SEC feedback
 - e. Assessing organizational commitment to social responsibility groups

ANS: D PTS: 1

36. Which of the following criteria should be considered when identifying resources and determining the urgency within the stakeholder framework?
- a. The level of financial investments required by different actions
 - b. The social structure of employees and management
 - c. The number of unions and activists
 - d. The probability of Federal legislation
 - e. The potential for criminal activities

ANS: A PTS: 1

37. The ____ model is founded in classic economics.
- a. economic
 - b. shareholder
 - c. stakeholder
 - d. board
 - e. ISO

ANS: B PTS: 1

38. Which of the following are *not* typically secondary stakeholders?
- a. Media
 - b. Special-interest groups
 - c. Customers
 - d. Trade associations
 - e. None of these are secondary stakeholders.

ANS: C PTS: 1

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

ANS: B PTS: 1

40. Which of the following do *not* typically engage in transactions with a company and thus are not essential for its survival?

- a. Employees
- b. Secondary stakeholders
- c. Primary stakeholders
- d. Investors
- e. Customers

ANS: B PTS: 1

41. Stakeholders' power over businesses stems from their
- a. ability to withdraw resources.
 - b. ability to raise funds.
 - c. media savvy.
 - d. political clout.
 - e. stock ownership

ANS: A PTS: 1

42. The stakeholder ____ recognizes other stakeholders beyond investors, employees, and suppliers, and explicitly acknowledges the two-way dialog and effects that exist with a firm's internal and external environment.
- a. orientation
 - b. bias
 - c. dichotomy model
 - d. interaction model
 - e. interface model

ANS: D PTS: 1

43. A stakeholder orientation is not complete unless it includes
- a. accounting.
 - b. finance.
 - c. marketing.
 - d. special-interest groups.
 - e. activities that actually address stakeholder issues.

ANS: E PTS: 1

ESSAY

44. Compare and contrast the stakeholder and shareholder models.

ANS:
Pages 43-44

PTS: 1

45. Discuss and justify whether Smith's or Friedman's economic models will be the predominant model when it comes to business and corporate social responsibility.

ANS:
Page 37

PTS: 1

46. Explain the stakeholder orientation.

ANS:
Page 44

PTS: 1

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

ANS:
Pages 33-34

PTS: 1

48. Discuss the six psychological motives laid out by Adam Smith and how they should be applied in the twenty-first century.

ANS:
Page 37

PTS: 1

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

ANS:
Page 43

PTS: 1