

Test Bank for Business Ethics Ethical Decision Making and Cases 9th Edition by Ferrell Fraedrich ISBN 111825165 9781111825164

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

MULTIPLE CHOICE

1. Stakeholders' power over businesses stems from their
 - a. ability to withdraw or withhold resources.
 - b. ability to generate profits.
 - c. media impact.
 - d. political influence.
 - e. stock ownership.

ANS: A PTS: 1 REF: p. 32

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

ANS: C PTS: 1 REF: p. 31

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

ANS: B PTS: 1 REF: p. 33

4. A firm that makes use of a _____ recognizes other stakeholders beyond investors, employees, and suppliers, and explicitly acknowledges the two-way dialog that exists between a firm's internal and external environments.
- a. stakeholder model of corporate governance
 - b. stakeholder bias
 - c. code of ethics
 - d. stakeholder interaction model
 - e. corporate interface model

ANS: D PTS: 1 REF: p. 34 |p. 35

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

ANS: B PTS: 1 REF: p. 34

16. Minimizing the use of energy and reducing emissions and waste are issues of importance to which stakeholder?
- Environmental groups
 - Suppliers
 - Employees
 - Industry leaders
 - Investors

ANS: A PTS: 1 REF: p. 34

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
- Adam Smith.
 - Theodore Levitt.
 - Norman Bowie.
 - Herman Miller
 - Milton Friedman.

ANS: E PTS: 1 REF: p. 37

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

ANS: A PTS: 1 REF: p. 37

19. Some economists believe that if companies address economic and legal issues, they are satisfying the demands of society, and that trying to anticipate and meet additional needs would be almost impossible. Which economist's theory are they following most closely with this belief?
- Adam Smith.
 - Theodore Levitt.
 - Norman Bowie.
 - Herman Miller
 - Milton Friedman.

ANS: E PTS: 1 REF: p. 37

20. _____ argued that, although profits are required for business, profit is not the primary purpose of business.
- Adam Smith
 - Theodore Levitt
 - Norman Bowie
 - Herman Miller
 - Milton Friedman

ANS: B PTS: 1 REF: p. 38

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?
- Adam Smith
 - Theodore Levitt
 - Norman Bowie
 - Herman Miller
 - Milton Friedman

ANS: C PTS: 1 REF: p. 38

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

ANS: A PTS: 1 REF: p. 38

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

ANS: C PTS: 1 REF: p. 38

24. In ascending order, Caroll'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 REF: p. 40

ESSAY

44. Compare and contrast the stakeholder and shareholder models.

ANS:
Pages 44-45

PTS: 1 REF: p. 44-45

45. What methods do special interest groups use to force organizations to alter their products or change their practices?

ANS:
Page 31

PTS: 1 REF: p. 31

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

ANS:
Page 31

PTS: 1 REF: p. 31

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

ANS:
Pages 33-34

PTS: 1 REF: p. 33-34

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

ANS:
Page 37

PTS: 1 REF: p. 37

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 42-43

PTS: 1 REF: p. 42-43

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