

1. 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.

*ANSWER:* c

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 31

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

2. Stakeholders' power over businesses stems from their
- ability to withdraw or withhold resources.
  - ability to generate profits.
  - media impact.
  - political influence.
  - stock ownership.

*ANSWER:* a

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* p. 32

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics:

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

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

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 32

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics

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*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

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.
- stakeholder model of corporate governance
  - stakeholder bias
  - code of ethics
  - stakeholder interaction model
  - corporate interface model

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* p. 33

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Comprehension

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

*ANSWER:* a

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 33

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

6. Which of the following industries tends to generate a *high* level of trust from consumers and stakeholders?
- a. Insurance
  - b. Technology
  - c. Banks
  - d. Mortgage lenders
  - e. Financial services

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* p. 32

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

7. Which of the following is *not* a benefit that primary stakeholders tend to provide to organizations?
- a. Supplies of capital and resources.
  - b. Expertise and leadership
  - c. Word-of-mouth promotion
  - d. Infrastructure
  - e. Pro-bono bookkeeping

*ANSWER:* e

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 32

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

8. A stakeholder group that is absolutely necessary for a firm's survival is defined as
- a. direct.
  - b. tertiary.
  - c. secondary.
  - d. special-interest.
  - e. primary.

*ANSWER:* e

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 32

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

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

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 30

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

10. Which of the following is *not* a method typically employed by firms when researching relevant stakeholder groups?
- Surveys
  - Focus groups
  - Internet searches
  - Press reviews
  - Guessing

*ANSWER:* e

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 35

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

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

- a. necessity for business success.
- b. continuum.
- c. polarizing concept.
- d. good marketing ploy.
- e. expensive proposition.

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* p. 36

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

12. Shareholders provide resources to an organization that are critical to long term success. Which of the following does the book suggest that suppliers offer?

- a. The promise of customer loyalty
- b. Material resources and/or intangible knowledge
- c. Infrastructure
- d. Revenue
- e. Leadership skills

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* p. 32

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

13. Which of the following is *not* associated with the stakeholder interaction model?
- a. Involves 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

*ANSWER:* e

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 36

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

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

*ANSWER:* a

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 33

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

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

- a. Investors
- b. Community
- c. Suppliers
- d. Customers
- e. Employees

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 34, Table 2-1

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

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

- a. Environmental groups
- b. Suppliers
- c. Employees
- d. Industry leaders
- e. Investors

*ANSWER:* a

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 34, Table 2-1

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge



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.

**ANSWER:** e

**POINTS:** 1

**DIFFICULTY:** Easy

**REFERENCES:** p. 40

**LEARNING OBJECTIVES:** 2.4: Delineate a stakeholder orientation in creating corporate social responsibility:  
Delineate a stakeholder orientation in creating corporate social responsibility

**NATIONAL STANDARDS:** United States - BUSPROG: Ethics

**STATE STANDARDS:** United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

**KEYWORDS:** Blooms: Knowledge

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.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Easy

**REFERENCES:** p. 40

**LEARNING OBJECTIVES:** 2.4: Delineate a stakeholder orientation in creating corporate social responsibility

**NATIONAL STANDARDS:** United States - BUSPROG: Ethics

**STATE STANDARDS:** United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

**KEYWORDS:** Blooms: Knowledge

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.

*ANSWER:* e

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* p. 40

*LEARNING OBJECTIVES:* 2.4: Delineate a stakeholder orientation in creating corporate social responsibility

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Comprehension

20. 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.

*ANSWER:* c

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* p. 37, Figure 2-3

*LEARNING OBJECTIVES:* 2.2: Define social responsibility

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

21. The term used to express how a firm meets its stakeholder expectations of its economic, legal, ethical, and philanthropic responsibilities is
- reputation.
  - corporate citizenship.
  - corporate ethical audit.
  - ethical citizenship.
  - fiduciary duties.

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 37

*LEARNING OBJECTIVES:* 2.2: Define social responsibility

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

22. In corporate governance, \_\_\_\_\_ is the process of auditing and improving organizational decisions and actions.
- profit
  - loyalty
  - accountability
  - control
  - diligence

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 43

*LEARNING OBJECTIVES:* 2.5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

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

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 43

*LEARNING OBJECTIVES:* 2.5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

24. Major corporate governance issues normally involve \_\_\_\_\_ decisions. (Choose the response that is *most* correct)
- a. strategic-level
  - b. tactical-level
  - c. divisional-level
  - d. marketing-level
  - e. accounting-level

*ANSWER:* a

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* p. 44

*LEARNING OBJECTIVES:* 2.5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Comprehension

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

- a. Compensation
- b. The non-traditional directorship approach
- c. Dividend reporting
- d. Corporate social audits
- e. Debt swaps

*ANSWER:* a

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 44, bonuses  
p. 46  
p. 48

*LEARNING OBJECTIVES:* 2.5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

26. One policy to address the issue of executive pay was implemented by J.P. Morgan, it stated that \_\_\_\_\_

- a. there should be no limit on what top executives can earn.
- b. managers should earn no more than twenty times the pay of other employees.
- c. top managers should make the same amount as other employees.
- d. employees can determine how much managers make.
- e. the government should determine the worth of each manager's service.

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* p. 48

*LEARNING OBJECTIVES:* 2.5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

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

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* p. 49

*LEARNING OBJECTIVES:* 2.6 - List the steps involved in implementing a stakeholder perspective in social responsibility and business ethics.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

28. What are the four levels of social responsibility?
- a. Financial, religious, ethical, and philanthropic
  - b. Ethical, philanthropic, selfish, and short-sighted
  - c. Economic, long-term, ethical, and philanthropic.
  - d. Legal, economic, ethical, and philanthropic
  - e. Economic, compliance, legal, and philanthropic

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 37, Figure 2-3

*LEARNING OBJECTIVES:* 2.2: Define social responsibility

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

29. The \_\_\_\_\_ model is founded in classic economic precepts.

- a. economic
- b. shareholder
- c. stakeholder
- d. board
- e. ISO

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 45

*LEARNING OBJECTIVES:* 2.5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

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

- a. Television news anchors
- b. Special-interest groups
- c. Customers
- d. Trade associations
- e. Journalists

*ANSWER:* c

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 35, Figure 2-2

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics: Identify stakeholders' roles in business ethics

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Comprehension

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

- a. Customers
- b. Trade associations
- c. Employees
- d. Shareholders
- e. Suppliers

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 35, Figure 2-2

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Comprehension

32. Why do critics argue that high compensation for boards of directors is a bad thing?
- a. It is too expensive for the organization.
  - b. It could cause conflicts of interest between the directors and the organization.
  - c. It is not fair to poorly compensated employees.
  - d. High pay will render the board less complacent.
  - e. Board of director compensation is not a major issue.

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 46

*LEARNING OBJECTIVES:* 2.5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge



33. Board members being linked to more than one company is an example of
- strategic philanthropy.
  - stakeholder commitment.
  - interlocking directorate.
  - conflict of interest.
  - an illegal activity.

*ANSWER:* c

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* p. 47

*LEARNING OBJECTIVES:* 2.5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Comprehension

34. What is the first step in implementing a stakeholder perspective in an organization?
- Identifying resources and determining urgency
  - Identifying stakeholder groups
  - Identifying stakeholder issues
  - Assessing the corporate culture
  - Assessing organizational commitment to social responsibility

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 49

*LEARNING OBJECTIVES:* 2.6 - List the steps involved in implementing a stakeholder perspective in social responsibility and business ethics.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

35. A stakeholder orientation is not complete unless it includes
- clear accounting procedures.
  - major financing activities.
  - marketing strategy.
  - feedback from special-interest groups.
  - activities that actually address stakeholder issues.

*ANSWER:* e  
*POINTS:* 1  
*DIFFICULTY:* Easy  
*REFERENCES:* p. 36  
*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics  
*NATIONAL STANDARDS:* United States - BUSPROG: Ethics  
*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities  
*KEYWORDS:* Blooms: Knowledge

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

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

*POINTS:* 1  
*DIFFICULTY:* Easy  
*REFERENCES:* p. 45  
*LEARNING OBJECTIVES:* 2.5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.  
*NATIONAL STANDARDS:* United States - BUSPROG: Ethics  
*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities  
*KEYWORDS:* Blooms: Knowledge

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

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

*POINTS:* 1  
*DIFFICULTY:* Easy  
*REFERENCES:* p. 31  
*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics  
*NATIONAL STANDARDS:* United States - BUSPROG: Ethics  
*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities  
*KEYWORDS:* Blooms: Comprehension

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

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

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* p. 32, primary and secondary stakeholders  
p. 33, stakeholder interaction model  
p. 35, figure 2-2

*LEARNING OBJECTIVES:* 2.1: Identify stakeholders' roles in business ethics

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Comprehension

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

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

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 39

*LEARNING OBJECTIVES:* 2.3: Examine the relationship between stakeholder orientation and social responsibility

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Comprehension

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

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

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* p. 43, Table 2-4  
p. 47 - 48, example given in answer

*LEARNING OBJECTIVES:* 2.5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - NONE - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Comprehension