TT TEXTBOOK TESTBANKS

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Business and Society (2nd)

ISBN 9781071913604 | Chapter 1: Stakeholder and Shareholder Theories

Total Questions: 60

Easy

Multiple Choice (26)

Q1. *[Multiple Choice]*

A ______ is a legal entitlement or a right to be treated in a certain way.

- **a)** share
- **b)** stakeholder
- **c) claim ✓ correct**
- **d)** shareholder

Q2. *[Multiple Choice]*

A kind of interest in something of value is broadly called a ______.

- **a)** share
- **b) stake ✓ correct**
- **c)** stakeholder
- **d)** shareholder

Q3. *[Multiple Choice]*

A ______ is any identifiable group or individual who can affect the achievement of an organization's objectives or who is affected by the achievement of an organization's objectives.

- **a)** shareholder
- **b)** claimant
- **c)** stake group
- **d) stakeholder ✓ correct**

Q4. *[Multiple Choice]*

A ______ is a person, group, or organization owning one or more shares of stock in a corporation.

- **a) shareholder ✓ correct**
- **b)** stakeholder
- **c)** claimant
- **d)** stake group

Q5. *[Multiple Choice]*

A(n) ______ is a set of propositions or concepts that seeks to explain or predict something.

- **a)** shareholder
- **b) theory ✓ correct**
- **c)** explanation
- **d)** hypothesis

Q6. *[Multiple Choice]*

Stakeholder- and shareholder-oriented theories are both ______ theories because they state the way things should be.

- **a)** associational
- **b)** positive
- **c) normative ✓ correct**
- **d)** proscriptive

Q7. [Multiple Choice]

______ theory states that managers should act in the interests of people holding company stock, minimizing other factors.

- **a) Shareholder ✓ correct**
- **b)** Claim
- **c)** Stakeholder
- **d)** Stake

Q8. [Multiple Choice]

The obligation of mangers to act in the shareholders' best interests is called ______.

- **a)** stakeholder salience
- **b) fiduciary duty ✓ correct**
- **c)** a claim
- **d)** a take

Q9. [Multiple Choice]

The rules and processes that ensure a firm's accountability, fairness, and transparency among all parties are collectively termed ______.

- **a)** power
- **b)** legitimacy
- **c)** fiduciary duty
- **d) corporate governance ✓ correct**

Q10. [Multiple Choice]

The ______ view believes that a firm can better achieve competitive advantage when managers are not held accountable for other stakeholders' concerns.

- **a) shareholder ✓ correct**
- **b)** stakeholder
- **c)** legitimacy
- **d)** corporate governance

Q11. [Multiple Choice]

Stakeholder theory requires managers to endorse the attitude that all stakeholders have a legitimate stake in the firm because they have ______ value.

- **a)** fiduciary
- **b)** positive
- **c)** normative
- **d) intrinsic ✓ correct**

Q12. [Multiple Choice]

Stakeholder theory is fundamentally ______ because of its guidance about what are right and wrong behaviors.

- **a)** positive
- **b)** associational
- **c) normative ✓ correct**
- **d)** descriptive

Q13. *[Multiple Choice]*

______ stakeholders engage with the firm through economic exchanges as the company carries out its primary purpose.

- **a) Market ✓ correct**
- **b)** Nonmarket
- **c)** Primary
- **d)** Secondary

Q14. *[Multiple Choice]*

______ stakeholders do not engage in direct economic exchange with the firm but are affected by the firm or can affect the firm.

- **a)** Primary
- **b)** Secondary
- **c) Nonmarket ✓ correct**
- **d)** Market

Q15. *[Multiple Choice]*

What is a key question that managers should ask about stakeholders in analyzing their interests?

- **a)** What are their levels of economic power?
- **b) What are the groups' issues or concerns? ✓ correct**
- **c)** How much money do they provide to the company?
- **d)** Why should we care about their interests?

Q16. *[Multiple Choice]*

The two key areas in which shareholder theories and stakeholder theories complement each other are in value and ______.

- **a)** power
- **b)** legitimacy
- **c) accountability ✓ correct**
- **d)** salience

Q17. *[Multiple Choice]*

Stakeholder ______ is a group's ability to gain recognition through having power, legitimacy, and urgency.

- **a)** importance
- **b)** power
- **c)** values
- **d) salience ✓ correct**

Q18. *[Multiple Choice]*

______ is the ability or potential of a group to influence another and to secure a desired outcome.

- **a)** Stakeholder salience
- **b) Power ✓ correct**
- **c)** Stakeholder influence
- **d)** Contextual salience

Q19. *[Multiple Choice]*

______ represents some form of acceptance of a stakeholder's claim or of the group itself.

- **a)** Power
- **b)** Salience
- **c)** Pragmatism
- **d) Legitimacy ✓ correct**

Q20. *[Multiple Choice]*

______ legitimacy occurs when the audience's self-interest is satisfied.

- **a)** Salience
- **b) Pragmatic ✓ correct**
- **c)** Moral
- **d)** Cognitive

Q21. *[Multiple Choice]*

______ legitimacy is when the concerns over what ought to be are satisfied.

- **a)** Salience
- **b)** Pragmatic
- **c) Moral ✓ correct**
- **d)** Cognitive

Q22. *[Multiple Choice]*

______ legitimacy is based on whether something is taken for granted and well known or accepted.

- **a) Cognitive ✓ correct**
- **b)** Power
- **c)** Moral
- **d)** Ethical

Q23. *[Multiple Choice]*

Firms that emphasize ______ values are more prone to exercise power over stakeholders to maintain their interests.

- **a)** other-regarding
- **b) self-regarding ✓ correct**
- **c)** market
- **d)** nonmarket

Q24. *[Multiple Choice]*

______ leadership is possible with a deep understanding of the power, legitimacy, interests, and issues of concern to the stakeholders.

- **a)** Value
- **b)** Stakeholder
- **c) Ethical ✓ correct**
- **d)** Legitimate

Q25. *[Multiple Choice]*

What is the scope of companies in the World Economic Forum?

- **a)** national
- **b)** local
- **c)** regional
- **d) global ✓ correct**

Q26. *[Multiple Choice]*

Which level of commitment to stakeholder management involves making customers better off while offering an attractive value proposition to shareholders?

- **a)** Level 3
- **b)** Level 2
- **c) Level 1 ✓ correct**
- **d)** Level 4

Medium

Multiple Choice (19)

Q27. *[Multiple Choice]*

A shareholder could be defined as a group ______.

- **a)** that does not interact with the organization
- **b)** that has a purely social interest with the organization
- **c)** that has no claim on the organization
- **d) that has a stake in the organization ✓ correct**

Q28. *[Multiple Choice]*

Stakeholder theory is a theory because it has a ______.

- **a)** group of proposals to define something
- **b)** power to predict what a company will do
- **c) set of propositions to explain or predict something ✓ correct**
- **d)** solid ability to be useful

Q29. *[Multiple Choice]*

According to stakeholder theory, management should work toward addressing multiple stakeholder interests because it has ______ to do so.

- **a)** a legal requirement
- **b) a moral obligation ✓ correct**
- **c)** a legislative mandate
- **d)** a fiduciary duty

Q30. *[Multiple Choice]*

The shareholder theory of the firm appeals to managers who want to ______.

- **a)** create value for society
- **b)** fulfill a moral purpose through the company's actions
- **c)** incorporate nontraditional viewpoints
- **d) lower the cost of capital for expansion ✓ correct**

Q31. *[Multiple Choice]*

In shareholder theory, managers must ask which question in order to address issues?

- **a)** How do we help stakeholders have a special relationship with the firm?
- **b)** How do we prioritize which stakeholders' interests take precedence over others?
- **c)** How do we measure a social impact to maximize the company's long-term value?
- **d) How do we measure "better" versus "worse" with regard to what we are trying to do? ✓ correct**

Q32. *[Multiple Choice]*

From the ______ perspective, a firm simply cannot have multiple fiduciary duties because if it did it would require trade-offs, compromises, and multiple loyalties that it cannot sustain.

- **a)** corporate governance
- **b)** market
- **c)** stakeholder
- **d) shareholder ✓ correct**

Q33. *[Multiple Choice]*

One way to divide stakeholders into two categories is to separate them based on their ______.

- **a)** sustainability advantage
- **b) value to the firm ✓ correct**
- **c)** priority in satisfying interests
- **d)** resources' abundance or scarcity

Q34. *[Multiple Choice]*

Level 4 of commitment to stakeholder management is the level that enables ______.

- **a) ethical leadership ✓ correct**
- **b)** stakeholder salience
- **c)** an attractive value proposition
- **d)** corporate governance

Q35. *[Multiple Choice]*

One of the challenges of stakeholder analysis is ______.

- **a) avoiding overlapping groups ✓ correct**
- **b)** understanding that all shareholders have equal power
- **c)** prioritizing the fiduciary duties owed to each
- **d)** affirming each stakeholder always has an equal claim

Q36. *[Multiple Choice]*

A person who buys a software package from a company is an example of one of that company's ______.

- **a)** shareholders
- **b)** nonmarket stakeholders
- **c) market stakeholders ✓ correct**
- **d)** constituents

Q37. *[Multiple Choice]*

Stakeholder engagement is most likely when the firm and the stakeholder ______.

- **a)** provide similar resources
- **b)** share the same powers
- **c)** have similar ideas about legitimacy
- **d) share the same goal ✓ correct**

Q38. *[Multiple Choice]*

What situation is most helpful for stakeholder engagement?

- **a) Motivation is at a high level. ✓ correct**
- **b)** Goals are thoroughly discussed.
- **c)** Objectives are written down accurately.
- **d)** Documentation is closely monitored.

Q39. *[Multiple Choice]*

Firms that emphasize other-regarding values are more likely to respond to stakeholders with greater ______.

- **a)** fiduciary duty
- **b)** power
- **c) legitimacy ✓ correct**
- **d)** corporate governance

Q40. [Multiple Choice]

A person arguing for stakeholder theory from an instrumental perspective would likely focus on ______.

- **a) financial benefits ✓ correct**
- **b)** moral requirements
- **c)** fiduciary duty
- **d)** facts on the ground

Q41. [Multiple Choice]

Multinational corporations have informal reasons, such as ______, which place additional pressures on their satisfying claims made on them.

- **a) cultural differences ✓ correct**
- **b)** differences in legislatures
- **c)** competing legal requirements
- **d)** jurisdictional conflicts

Q42. [Multiple Choice]

A shareholder theorist criticizing stakeholder theory would be most likely to point out ______.

- **a)** its lack of descriptiveness
- **b)** that it is a normative business theory
- **c) the impossibility of multiple fiduciary duties ✓ correct**
- **d)** that its focus is too narrow

Q43. [Multiple Choice]

Which statement is true of shareholders?

- **a) They have diverse interests. ✓ correct**
- **b)** They legally own the company.
- **c)** They have a moral interest in the company.
- **d)** They are not always salient to managers.

Q44. [Multiple Choice]

The people who live in the community in which a business is located but do not necessarily shop at the business are an example of ______.

- **a)** market stakeholders
- **b) nonmarket stakeholders ✓ correct**
- **c)** shareholders
- **d)** stockholders

Q45. [Multiple Choice]

Workers can be considered ______ stakeholders because they engage in economic transactions with the company as it carries out its main purpose.

- **a)** nonmarket
- **b) market ✓ correct**
- **c)** primary
- **d)** secondary

Essay (8)

Q46. *[Essay]*

Compare and contrast the stakeholder and shareholder theories of corporate social responsibility.

> ***Suggested answer:*** *Sample response: The primary difference between these two theories is that the stakeholder perspective views ownership from a deeper viewpoint than does the shareholder perspective. Rather than viewing relations from the prism of legal ownership, the stakeholder viewpoint argues that firms should heed the impact that the firm has on other groups that it does business with. The shareholder perspective states that the one purpose of the firm is a fiduciary responsibility to act in the interest of the shareholder, since they own the firm. The similarity is that they both state believe managers must operate ethically, must produce a profit, and must adhere to the law. They are both normative. However, each theory's goal is different, calling for rewarding a different audience. The stakeholder theory says that the firm must act in the interests of stakeholders. The shareholder states they must act for shareholders.*

Q47. *[Essay]*

One of the misrepresentations of stakeholder theory is that "there is no demand for firms to make a profit." Respond to this assertion in a way that defends stakeholder theory.

> ***Suggested answer:*** *Sample response: Although stakeholder theory does not narrowly focus on profits the way that shareholder theory does, it of course acknowledges that the ultimate goal of all businesses is to turn a profit. The theory emphasizes the positive impact of a stakeholder approach on a business's activity. In fact, many defenders of stakeholder theory point out its potential for bolstering long-term profits for firms.*

Q48. *[Essay]*

Describe and analyze the strengths and weaknesses of the shareholder approach.

> ***Suggested answer:*** *Sample response: The shareholder approach supports the actual owners of the organization. This approach focuses on profits over most other goals, since this objective reflects the firm's fiduciary duty to its shareholders. The weakness is that such an approach could be damaging to the firm's long-term survival.*

Q49. *[Essay]*

What is the main criticism of stakeholder theory by adherents of the shareholder perspective?

> ***Suggested answer:*** *Sample response: The main criticism of stakeholder theory by adherents of the shareholder perspective is that it appears morally and practically unworkable to make decisions that favor anyone aside from the individuals who actually own shares in the company. Adherents of the shareholder perspective believe that ownership of stock gives exclusive rights to a company's shareholders.*

Q50. *[Essay]*

What are some of the questions to ask in a stakeholder analysis? Give examples. Why ask them?

> ***Suggested answer:*** *Sample response: Some of the important questions to ask in a stakeholder analysis are, "Who are our stakeholders? What do they want? How do we create value for them while creating value for our firm?" We ask these questions to aid in maintaining a relationship with groups that support the firm.*

Q51. *[Essay]*

Identify the factors contribute to stakeholder salience. How does stakeholder salience affect a firm's likelihood of engaging with stakeholders?

> ***Suggested answer:*** *Sample response: The three primary factors that contribute to stakeholder salience are power, legitimacy, and urgency. Issues are the basic unit of stakeholder analysis, and when the stakeholder's issues align with the firm's, it makes engagement much more likely. A firm also has to be motivated to engage with stakeholders and vice versa.*

Q52. *[Essay]*

What is stakeholder legitimacy? What are the types of legitimacy? Why is legitimacy important for firms?

> ***Suggested answer:*** *Sample response: Legitimacy represents some form of acceptance of a stakeholder's claim or of the group itself. Pragmatic legitimacy occurs when the audience's self-interest is satisfied, moral legitimacy is when the concerns over what ought to be are satisfied, and cognitive legitimacy is based on whether something is taken-for-granted and well known or accepted. When a stakeholder has legitimacy, a firm is more likely to engage with them, especially an other-regarding firm.*

Q53. *[Essay]*

Provide a brief overview of stakeholder management and the factors that make commitment to stakeholder management more likely.

> ***Suggested answer:*** *Sample response: Broadly, stakeholder management means making engagement with stakeholders a more formal aspect of a firm's activities. The firm's processes will be altered and monitored to make sure stakeholder interests are being met. Usually this is more likely when stakeholders and firms share goals, are motivated to engage with each other, and have the knowledge and resources to do so effectively.*

Hard

Multiple Choice (5)

Q54. *[Multiple Choice]*

A person who states, "Ultimately, all business decisions should come down to whether or not it will result in greater profits for investors," most likely adheres to ______ theory.

- **a) shareholder ✓ correct**
- **b)** corporate governance
- **c)** fiduciary duty
- **d)** stakeholder

Q55. *[Multiple Choice]*

A local bar has a group of regular customers who come in almost every day to order beers and a some appetizers. These customers would be considered ______ because they play an important role in the bar's continued functioning.

- **a)** shareholders
- **b)** regulators
- **c) stakeholders ✓ correct**
- **d)** constituents

Q56. *[Multiple Choice]*

Upper-level management of a corporation incentivizes employees to give blood by organizing a blood drive in the offices. The goal is to benefit the community. This action is most in line with ______ theory.

- **a)** shareholder
- **b) stakeholder ✓ correct**
- **c)** corporate governance
- **d)** fiduciary duty

Q57. *[Multiple Choice]*

In a presentation about stakeholder versus shareholder theory, Soledad says, "Stakeholder theory is more accurate to how firms actually operate in the real world." Soledad's statement best reflects the ______ perspective of stakeholder theory.

- **a)** fiduciary
- **b)** normative
- **c)** instrumental
- **d) descriptive ✓ correct**

Q58. *[Multiple Choice]*

A person who argues for stakeholder theory from the perspective that it’s “the right thing because all stakeholders have inherent value to the firm” is arguing from a(n) ______ perspective.

- **a)** fiduciary
- **b) normative ✓ correct**
- **c)** instrumental
- **d)** descriptive

Essay (2)

Q59. *[Essay]*

The Julius corporation is a pharmaceutical company that deals with proprietary and sensitive information. They are concerned with leakages of corporate secrets. On company cars, they have made the decision to monitor employees by tracking where they go. However, they do not inform employees. Using a stakeholder analysis, identify the stakeholders of the case and how the company’s policy impacts them.

> ***Suggested answer:*** *Sample response: Workers are key stakeholders because it is their behavior that the company is tracking. While the company has not informed them of the surveillance, the monitoring means that the company assumes they are presumed to be possibly leaking corporate secrets. This perspective reflects a potentially toxic workplace environment. Shareholders are key stakeholders because they recognize that the company needs to keep important secrets, such as proprietary formulas. The company’s policy impacts each of them significantly. The stakeholders might have an edge in understanding the company’s monitoring activity, since leakage is a known issue. However, the workers would not be likely to assume that they are being monitored.*

Q60. *[Essay]*

A multinational corporation is currently doing business in three different locales: the United States, Europe, and China. Using stakeholder theory, evaluate the different claims that stakeholders in these locations make on the firm. What is a way for the firm to balance them?

> ***Suggested answer:*** *Sample response: The firm needs to recognize that different stakeholders are going to value different things. For example, the United States may prefer unfettered access to the information of users; China and Europe would oppose it. The firm can balance them by customizing company policies about information sharing and being transparent about that customization.*