

**Type: multiple choice question**

**Title:** Chapter 02 - Question 01

**01)** In his influential 1970 article, Milton Friedman protested against the notion of corporate responsibility for corporations. Which of the following is **not** one of the three main premises of his argument?

**a.** Social issues and problems are the proper province of the state rather than corporate managers.

**Feedback:** This is one of the three main premises of Friedman's argument.

**Page reference:** 47-48

**b.** It is managers' responsibility to act solely in the interests of shareholders.

**Feedback:** This is one of the three main premises of Friedman's argument.

**Page reference:** 47-48

**\*c.** Corporate responsibilities limit a corporation's freedom to choose how to pursue its main task of increasing profits.

**Feedback:** One of the main features of Friedman's work was the notion of freedom (e.g., his books, *Free to choose* and *Capitalism and freedom*), but this is not one of the three main premises of Friedman's argument as set out in his 1970 article.

**Page reference:** 47-48

**d.** Only human beings have a moral responsibility for their actions.

**Feedback:** This is one of the three main premises of Friedman's argument.

**Page reference:** 47-48

**Type: fill-in-blank**

**Title:** Chapter 02 - Question 02

**02)** Crane and Matten contend that a corporation can be morally responsible for its actions, because it has agency independent of its members. The main arguments in support of this point centre on a corporation's internal decision structure and corporate \_\_\_\_\_.

**Feedback:** Crane and Matten contend that a corporation can be morally responsible for its actions, because it has agency independent of its members. The main arguments in support of this point centre on a corporation's internal decision structure and corporate culture. The internal decision structure directs corporate decisions and actions, establishing a purpose for decisions that transcends the individual's framework of responsibility. The corporate culture is a set of beliefs and values that set out what is generally regarded as right or wrong in the corporation. It is believed to be a strong influence on the individual's ethical decision-making and behaviour (See chapter 4).

**Page reference:** 48-49

**a.** Culture

**Type: multiple response question**

**Title:** Chapter 02 - Question 03

**03)** It is now generally accepted that business responsibility does extend beyond simply making a profit. Which of the following do Crane and Matten list as business reasons for CSR? Please select all that apply.

**Feedback:** These arguments are also referred to as being in firms' enlightened self-interest; that is, a firm promotes its own self-interest by taking on social responsibilities. There are also further moral arguments for CSR (see, e.g., p52).

**Page reference:** 51-52

**a.** Socially responsible companies voluntarily solve the social and environmental problems their activities have caused.

**\*b.** Socially responsible firms may find it easier to attract employees, who may be more committed.

**\*c.** Corporations seen as responsible may attract more and/or more loyal customers.

**\*d.** By engaging in voluntary CSR, corporations may avoid government legislation.

**Type: multiple choice question**

**Title:** Chapter 02 - Question 04

**04)** Carroll (1979, 1991) developed a four-part model of CSR to address the nature of business's social responsibilities. According to Carroll's model, which of the following responsibilities does society **expect** businesses to meet?

**a.** Economic responsibilities

**Feedback:** Type According to Carroll, society **requires** firms to meet their economic and legal responsibilities, **expects** them to meet their ethical responsibilities, and **desires** that they meet their philanthropic responsibilities.

**Page reference:** 53-55

**b.** Philanthropic responsibilities

**Feedback:** Type According to Carroll, society **requires** firms to meet their economic and legal responsibilities, **expects** them to meet their ethical responsibilities, and **desires** that they meet their philanthropic responsibilities.

**Page reference:** 53-55

**c.** Legal responsibilities

**Feedback:** Type According to Carroll, society **requires** firms to meet their economic and legal responsibilities, **expects** them to meet their ethical responsibilities, and **desires** that they meet their philanthropic responsibilities.

**Page reference:** 53-55

**\*d.** Ethical responsibilities

**Feedback:** Type According to Carroll, society **requires** firms to meet their economic and legal responsibilities, **expects** them to meet their ethical responsibilities, and **desires** that they meet their philanthropic responsibilities.

**Page reference:** 53-55

**Type: matching question**

**Title:** Chapter 02 - Question 05

**05)** Frederick (1994) defines corporate social responsiveness as referring to 'the capacity of a corporation to respond to social pressures'. Carroll has delineated four strategies of social responsiveness. Match the strategy name with its description.

**Feedback:** Carroll's widely cited four strategies of social responsiveness are reaction, defence, accommodation, pro-action. Many corporations appear to have a shifting strategy of social competitiveness.

**Page reference:** 57

**a.** Reaction = The corporation denies any responsibility for social issues.

**b.** Defence = The corporation admits responsibility, but fights it, doing the very least that seems to be required.

**c.** Accommodation = The corporation accepts responsibility and does what is demanded of it by relevant groups.

**d.** Pro-action = The corporation seeks to go beyond industry norms and anticipates future expectations by doing more than is expected.

**Type: multiple choice question**

**Title:** Chapter 02 - Question 06

**06)** Crane and Matten's definition of a stakeholder makes it clear that it is impossible to identify a definitive group of relevant stakeholders for any given corporation in any given situation. Nevertheless, a typical representation is possible, and three different models are presented. Which of the following stakeholders are included in the stakeholder view of the firm **and** in the network model of stakeholder theory, but **not** in the traditional model of managerial capitalism?

**a.** Shareholders

**Feedback:** Shareholders are one of the four groups included in the traditional managerial capitalism model.

**Page reference:** 62-63

**\*b.** Government

**Feedback:** Government is one of the groups included in the stakeholder view of the firm and in the network model of stakeholder theory, but not in the traditional model of managerial capitalism.

**Page reference:** 62-63

**c.** Employees

**Feedback:** Shareholders are one of the four groups included in the traditional managerial capitalism model.

**Page reference:** 62-63

**d.** Supplier's stakeholder

**Feedback:** Suppliers' stakeholders are included in the network model, but they are not included in the stakeholder model (nor in the traditional managerial capitalism model).

**Page reference:** 62-63

**Type: true-false**

**Title:** Chapter 02 - Question 07

**07)** Instrumental stakeholder theory is a theory that attempts to explain how firms take into account stakeholder interests.

**a.** True

**Feedback:** Donaldson & Preston (1995) distinguish between three forms of stakeholder theory: normative, descriptive and instrumental. Instrumental stakeholder theory attempts to answer the question of whether it is beneficial for the corporation to take into account stakeholder interests. It is Descriptive stakeholder theory that attempts to explain how firms take into account stakeholder interests.

**Page reference:** 66-67

**\*b.** False

**Feedback:** Donaldson & Preston (1995) distinguish between three forms of stakeholder theory: normative, descriptive and instrumental. Instrumental stakeholder theory attempts to answer the question of whether it is beneficial for the corporation to take into account stakeholder interests.

**Page reference:** 66-67

**Type: multiple response question**

**Title:** Chapter 02 - Question 08

**08)** Since the late 1980s, we have witnessed a growing tendency towards the 'privatization' of many political functions and processes formerly assigned to governments. Which of the following are examples of how people's lives are increasingly controlled and shaped by corporations as well as governments? Please select all that apply.

**Feedback:** All of the options given here are examples of increasing corporate influence over people's lives. The central problem behind the trends is the issue of democratic accountability in an environment in which decisions affecting people's lives are increasingly taken by firms that are not subject to democratic control.

**Page reference:** 69-70

**\*a.** Globalization facilitates relocation and potentially makes companies able to engage governments in a 'race to the bottom'.

**\*b.** Decisions over employment, lay-offs and relocation are taken by firms, and governments cannot directly control employment levels (though they are made responsible for unemployment).

**\*c.** The privatization of major public services and publicly owned companies has led to private actors dominating major industries such as media, telecommunications and transport.

**\*d.** Market and industrial liberalization and deregulation has increased the power of private actors: the more strongly the market dominates economic life, the weaker governmental intervention and influence is.

**Type: fill-in-blank**

**Title:** Chapter 02 - Question 09

**09)** In order to enhance corporate accountability, corporate social activity, and performance should be made more visible to those with a stake in the corporation. The term usually applied to this is \_\_\_\_\_.

**Feedback:** In order to enhance corporate accountability, corporate social activity, and performance should be made more visible to those with a stake in the corporation. The term usually applied to this is transparency. Crane and Matten (p71) therefore define transparency as, 'the degree to which corporate decisions, policies, activities, and impacts are acknowledged and made visible to relevant stakeholders.'

**Page reference:** 70-71

**a.** transparency

**Type: multiple choice question**

**Title:** Chapter 02 - Question 10

**10)** Given the emerging role for corporations in the administration of civil, social and political rights, Crane and Matten argue that the extended view of corporate citizenship suggests the following definition:

**a.** Corporate citizenship describes the corporate role in public policy creation.

**Feedback:** Crane and Matten's definition is that, 'Corporate citizenship describes the corporate function for governing citizenship rights for individuals.'

**Page reference:** 77-78

**b.** Corporate citizenship describes the position of the corporation with respect to the government.

**Feedback:** Crane and Matten's definition is that, 'Corporate citizenship describes the corporate function for governing citizenship rights for individuals.'

**Page reference:** 77-78

\*c. Corporate citizenship describes the corporate function for governing citizenship rights for individuals.

**Feedback:** This is the definition provided by Crane and Matten.

**Page reference:** 77-78

d. Corporate citizenship describes the situation in which the corporation takes on a government-like role towards individuals.

**Feedback:** Crane and Matten's definition is that, 'Corporate citizenship describes the corporate function for governing citizenship rights for individuals.'

**Page reference:** 77-78