Test Bank for Business Ethics Managing Corporate Citizenship and Sustainability in the Age of Globalization 5th Edition by Crane

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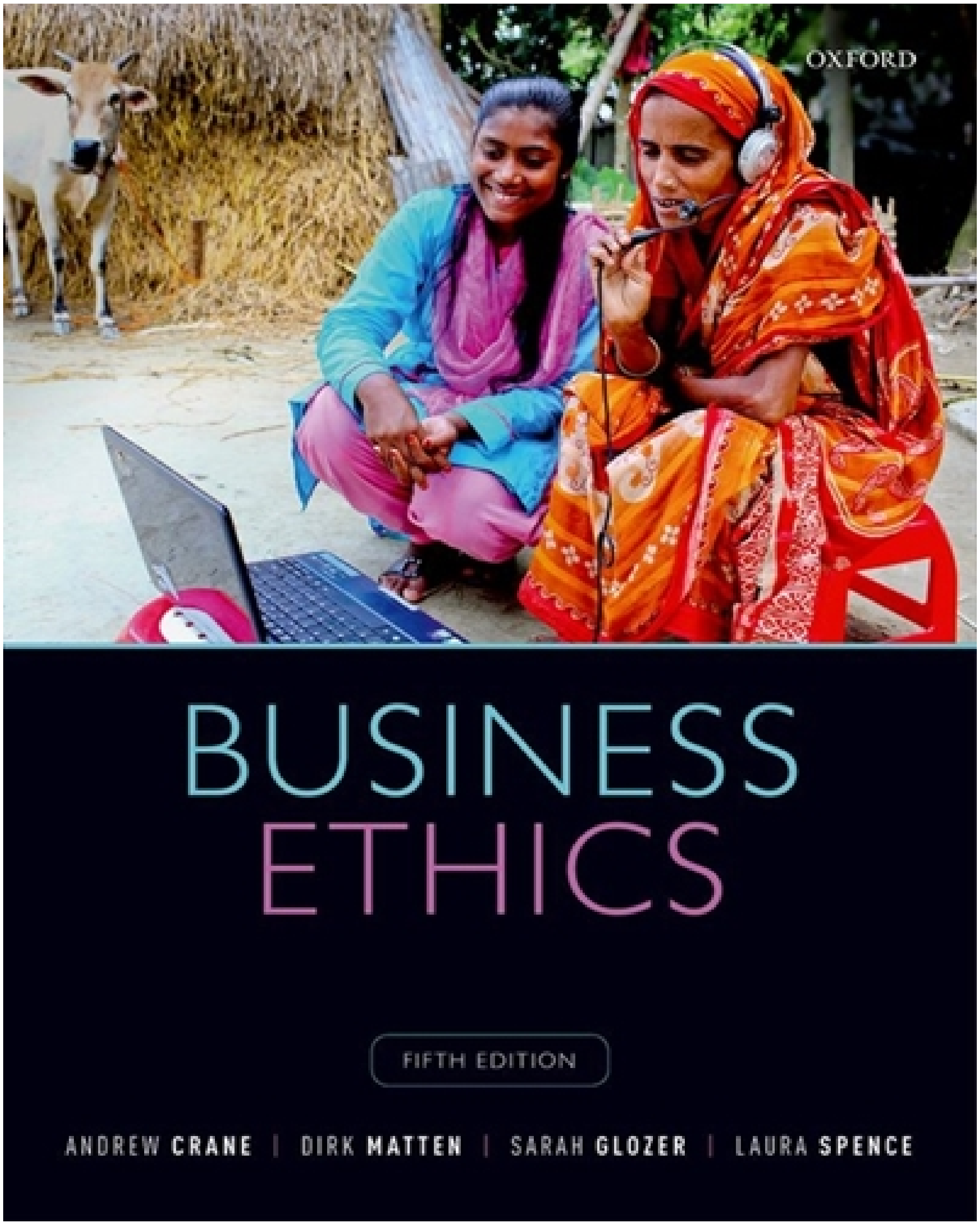

Test Bank

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: p.46-47
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: 46-47
*__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: 46-47
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: 46-47

Type: fill-in-blankill in the blank
Title: Chapter 02 - Question **02**
02) Crane et al contend that corporations often take on social responsibilities, in order to promote its own self-interests, this is known as ___________.
***a.** Enlightened self-interest
Feedback: Crane et al contend that when corporations take on social responsibilities, for example paying a living wage, gaining environmental management certification or making philanthropic donations, it is from the perspective of 'enlightened self-interest', as they are doing it in the with the full knowledge that it will be beneficial for themselves in the long-run.
Page reference: p.48
b. Social licence to operate
Feedback: Crane et al contend that when corporations take on social responsibilities, for example paying a living wage, gaining environmental management certification or making philanthropic donations, it is from the perspective of 'enlightened self-interest', as they are doing it in the with the full knowledge that it will be beneficial for themselves in the long-run.
Page reference: p.48
c. Social contract theory
Feedback: Crane et al contend that when corporations take on social responsibilities, for example paying a living wage, gaining environmental management certification or making philanthropic donations, it is from the perspective of 'enlightened self-interest', as they are doing it in the with the full knowledge that it will be beneficial for themselves in the long-run.
Page reference: p.48
d. Ethical duty
Feedback: Crane et al contend that when corporations take on social responsibilities, for example paying a living wage, gaining environmental management certification or making philanthropic donations, it is from the perspective of 'enlightened self-interest', as they are doing it in the with the full knowledge that it will be beneficial for themselves in the long-run.
Page reference: p.48

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 et al list as business reasons for CSR? Please select all that apply.

a. Socially responsible companies voluntarily solve the social and environmental problems their activities have caused.
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., p50).
Page reference: p.49-50
*__b.__ Socially responsible firms may find it easier to attract employees, who may be more committed.
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., p50).
Page reference: p.49-50
*__c.__ Corporations seen as responsible may attract more and/or more loyal customers.
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., p50).
Page reference: p.49-50
*__d.__ By engaging in voluntary CSR, corporations may avoid government legislation.
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., p50).
Page reference: p.49-50

Type: multiple choice question
Title: Chapter 02 - Question **04**
04) The notion of _______ contends that products and markets can be reconceived by serving consumers and contributing to the common good. Furthermore, that productivity in the values chain can be refined by enhancing social, environmental and economic capabilities of supply chain members and local cluster development can be enabled so that development goals can be achieved through local collaborations.
***a.** Shared value creation
Feedback: The notion of creating shared value provides an alternative vision of corporate responsibility and organisational functioning in which value for society and businesses are created concurrently.
Page reference: p.50
b. Sustainability
Feedback: Creating shared values provides an alternative vision of corporate responsibility and organisational functioning in which value for society and businesses are created concurrently.
Page reference: p.50
c. Corporate Governance
Feedback: Creating shared values provides an alternative vision of corporate responsibility and organisational functioning in which value for society and businesses are created concurrently.
Page reference: p.50
d. Corporate responsibility
Feedback: Creating shared values provides an alternative vision of corporate responsibility and organisational functioning in which value for society and businesses are created concurrently.
Page reference: p.50

Type: matching question
Title: Chapter 02 - Question 05
05) Crane et al describe "traditional" and "contemporary" CSR. Match the feature to the appropriate strategy.

Feedback: Crane et al describe traditional CSR as primarily external to value creation and primarily reactive or defensive in manner. Contemporary CSR integrates CSR into core operations and core value creation.
Page reference: p.54-55
a. CSR is integral to the business model = Contemporary
b. CSR is primarily reactive. = Traditional
c. CSR is about value creation = Contemporary
d. CSR is Bolted On = Traditional

Type: multiple choice question
Title: Chapter 02 - Question **06**
06) Crane et al'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: p.59-62
*__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: p.59-62
c. Employees
Feedback: Shareholders are one of the four groups included in the traditional managerial capitalism model.
Page reference: p.59-62
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: p.59-62

Type: multiple choice question
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: p.65
*__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. It is Descriptive stakeholder theory that attempts to explain how firms take into account stakeholder interests.
Page reference: p.65

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.
*__a.__ Globalization facilitates relocation and potentially makes companies able to engage governments in a 'race to the bottom'.
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: p.65-66
*__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).
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: p.65-66
*__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.
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: p.65-66
*__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.
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: p.65-66

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: Due to globalisation, large firms typically operate in a greater number of territories and therefore come into contact with a larger community of CSOs, particularly as there has been growth in the number of CSOs.
Page reference: p.453-454
a. transparency

Type: multiple choice question
Title: Chapter 02 - Question **10**
10) In ______ there is greater mistrust in corporations than in North America, in _______ a strong tradition exists of businesses donating to the arts, higher education and community services. Meanwhile, the European and Asian approach places more emphasis on the ________ responsibility of corporations towards employees and local communities.
a. Asia, Latin America, Social
Feedback: In Europe there is greater mistrust in corporations than in North America, in North America a strong tradition exists of businesses donating to the arts, higher education and community services and the European and Asian approach places more emphasis on the economic responsibility of corporations towards employees and local communities.

Page reference: p.53-54
*__b.__ Europe, North America, Economic
Feedback In Europe there is greater mistrust in corporations than in North America, in North America a strong tradition exists of businesses donating to the arts, higher education and community services and the European and Asian approach places more emphasis on the economic responsibility of corporations towards employees and local communities.
Page reference: p.53-54
c. Europe, North America, Environmental
Feedback: In Europe there is greater mistrust in corporations than in North America, in North America a strong tradition exists of businesses donating to the arts, higher education and community services and the European and Asian approach places more emphasis on the economic responsibility of corporations towards employees and local communities.
Page reference: p.53-54
d. Asia, Europe, Economic
Feedback: In Europe there is greater mistrust in corporations than in North America, in North America a strong tradition exists of businesses donating to the arts, higher education and community services and the European and Asian approach places more emphasis on the economic responsibility of corporations towards employees and local communities.
Page reference: p.53-54

Teaching Note

Ethics on Screen 2 – The Post

Released in 2017, *The Post* is a historical, political thriller set in 1971. The film depicts the real-life events surrounding the release of the Pentagon Papers by The Washington Post - classified documents concerning three decades of involvement in the Vietnam War by the US government. The film focuses on Katherine Graham, the first female publisher of any major US newspaper, and the gender-based struggles she experiences, as well as the legal, moral, and commercial issues and angst caused by the dilemma of whether to publish the confidential materials or not. The film draws on ethical issue related to whistleblowing, the role of stakeholder relationships, government versus public interest, freedom of speech and the relationship between the media and government.

Teaching Suggestion

Discussion could begin by the tackling the portrayal of gender-based discrimination within the film. How do relationships between Graham and her male colleagues evolve throughout the film? What could Graham's colleagues have done to tackle the gender-based discrimination that she faces? Students could also be asked to draw on their own experiences of gender-based discrimination within organisations which they have worked in or come into contact with. For example, instances where they have experienced it, how it can be stood up to and what responsibilities that we as individuals have to try and prevent it.

Further discussion could relate to the role of professional versus personal relationships within the film and wider ethical issues. For instance: is Graham right to consider her relationship with McNamara as factor when deciding whether or not to publish the classified reports? Which stakeholder's interests was the paper putting first in deciding to publish the papers? Could the publication of the classified papers be considered an act of corporate social responsibility? Do you think Graham was motivated more by ethical or commercial concerns in her decision to publish the papers?

Teaching Note

Ethical Dilemma 2: When good results are bad results?

This exercise aims at providing a real life insight into the dilemmas institutions of higher education face when they accept corporate funding. On a more general level, the story highlights the problem that corporate involvement in the provision and financing of public services is hardly free from conflict of interests. Note the assumptions underlying the vignette (e.g. that publishing the results would lead to withdrawal of funding).

Teaching suggestions

This exercise provides a great opportunity to explore some of the practical problems of corporate philanthropy as an approach to CSR and various forms of corporate citizenship (CC). It might also be interesting to relate to students' experiences with corporate funded research units within their own school or university. Although this exercise appears in the chapter about frameworks for business ethics, it works just as well later on in a course when discussing ethical theories (chapter 3) or in the chapter on government as a stakeholder (chapter 11).

Questions

1. ***What are the main ethical issues for Professor Ballistico here?***

    - As an academic in a university setting Ballistico is expected to conduct high quality research and to publish the results. It is therefore part of his contractual duty to publish his recent findings;
    - Adapting his results or not publishing them would infringe Ballistico's professional ethos and academic integrity;
    - As Ballistico uses corporate funding for his research, his sponsors have an interest in his work. Publishing work that would harm their sales and reputation is clearly against their corporate interest;
    - Ballistico wants to keep his centre running and continue to provide employment for his research team. By jeopardizing the next round of funding, he would put jobs to risk.

2. ***What options are open to him? How would you assess these options?***

    - Option 1: Publish the results and risk further funding by Foodcorp;
    - Option 2: Inform Foodcorp, the Vice-Chancellor and other actors involved about the results and refrain from further publication;
    - Option 3: Inform Foodcorp, the Vice-Chancellor and other actors involved about the results and work on a defence strategy with them and continue with the publication;

- Option 4: Lock the results away for the next months and secure the next round of funding and then continue with either Option 1 or 2.

The main issue here is to which of his stakeholders Ballistico has primary responsibilities (not forgetting his own professional ethic); is it:

- the university as his employer;
- the general public and the tax payer;
- the corporation which has funded the work;
- his employees in the centre.

This case exposes the different competing claims and their respective legitimacy. Students should be made aware of the fact that companies are not just another handy source of cash once governmental resources seem to be exhausted. If the case is used at a post-chapter 3 stage of the course, students should be encouraged to apply ethical theory to determine an acceptable response.

3. ***How should Ballistico proceed, and what can he realistically do to prevent similar problems arising in the future?***

In the narrow context of this example Ballistico should aim for a memorandum of understanding with his sponsors that grant him academic independence or clearly state which obligations the corporate funding exactly encompasses. He might also look for funding from more than one sponsor to become less exposed to just one corporation and its interests.

On a more general level, if corporations are allowed into the arena of providing public services and administering citizenship rights (the right to higher education just being an example here) the crucial issue is that those ‘public’ services do not lose this character just because the funding has a private source. Corporations should therefore commit to some basic values, such as in this case academic integrity.

4. ***What are the wider ethical concerns regarding corporate involvement in funding universities and other public institutions?***

Public services and institutions of the welfare state are an expression of liberal views of citizenship, which sees governments in the role of administrator, guarantor and provider of these rights and the entitlements they ensue for citizens. If corporations step in, they normally do so out of self-interest (though not exclusively). The various views of CC describe the situation most closely. The central ethical problem in these situations is that corporate self-interest ultimately makes the administration of these rights subject to certain conditions, while public services based on a liberal view of citizenship in principle should be available to all citizens regardless. Universities are institutions of research (knowledge creation) and teaching (transfer of that knowledge) and therefore this process should not be made subject to corporate (or any other institution's or person's) vested interests.

5. **In the light of this case, give a critical assessment of the potential as well as the limits of corporations stepping into roles often played by governments, such as the funding of higher education.**

The potential of corporate involvement in such roles is two-fold. First, it can provide the resources to improve existing public goods, or even provide public goods that would otherwise not (or no longer) exist. Second, involvement has the potential to deliver improvements. For example, in a well-regulated public transport market, firms can provide better services than had previously been the case. Having said that, corporations are set up to serve the interests of their shareholders. Even if one widens the net to include stakeholders, this is, on balance, a limited constituency. These interests are perfectly legitimate, but if a corporation steps into a role of administrator of citizenship rights, or other quasi-governmental roles, stakeholder interest could be in danger if these are in conflict or are incompatible. This is not the case, for instance, if a company invests in the improvement of local education authorities to retain and attract staff of a higher quality. Normally, however, corporate interests are narrower than the original remit of an institution that provides public services based on a certain notion of citizenship entitlements. Therefore, the corporate role in the provision of these services has to be very well defined, and could even need to include some sort of obligation on behalf of the company to go beyond their immediate self-interest. This, then, would ultimately suppose that the stakeholders of the company (most notably shareholders) would need to accept this new 'political role' of the corporation.