

BUSINESS IN SOCIETY

This test analyzes the interrelationships and influences among business, society and government. It takes a stakeholder approach to focus on how social and governmental forces have changed the role of business and have influenced managerial decision-making. It examines the impact that external factors such as governmental regulation, legal rulings and how the changing expectations regarding the social obligations of business have influenced consumer, employee, community, ethical and international relationships. (3 s.h.) BUS-311-TE

This is a 3 hour examination that consists of:
30 multiple-choice questions (worth 1 point each)
5 short answer questions (worth 5 points each)
3 essays (worth 15 points each)

The passing score is **60** out of 100 points.

Here are the topics covered and their approximate importance on the test:

- I. BUSINESS, SOCIETY AND STAKEHOLDERS (25%)
 - A. Business and society relationship (5%)
 - B. Corporate citizenship: social responsibility, responsiveness, performance (5%)
 - C. Defining relevant stakeholders and determining their impact (15%)
- II. CORPORATE GOVERNANCE AND STRATEGIC MANAGEMENT ISSUES (15%)
 - A. Corporate governance (5%)
 - B. Issues and crisis management (10%)
- III. ETHICS AND ITS IMPACT ON MANAGEMENT (15%)
 - A. Personal, business and international levels of analysis (10%)
 - B. Ethical issues with technology and globalization (5%)
- IV. EXTERNAL STAKEHOLDERS (35%)
 - A. Interrelationships between government and business (25%)
 - B. Interrelationships among consumer, community and business (5%)
 - C. Business' social responsibility for the natural environment and community (5%)
- V. INTERNAL STAKEHOLDERS (10%)
 - A. Obligations to employees and ownership (10%)

Textbooks to help you prepare:

We recommend that you use the Carroll/Buchholtz text as your primary reference. The other text covers the same major topics and issues and is a useful supplement, but there are slight differences in focus and interpretation.

Carroll, Archie and Ann Buchholtz. *Business & Society: Ethics and Stakeholder Management*. Current edition. Mason OH: South-Western/Cengage Learning

Lawrence, Anne and James Weber. *Business and Society: Stakeholders, Ethics, Public Policy*. Current edition. New York: McGraw-Hill/Irwin

STUDY NOTES: We suggest that you review recent issues of periodicals such as *The Wall Street Journal*, *New York Times* and *Harvard Business Review*. This will provide you with knowledge of topical social issues on business that are currently under public debate and scrutiny.

Remember, the broader your knowledge base, the more you will have to draw upon during the examination. This is important when taking an examination in a subject as dynamic as Business in Society, where issues and theories are constantly under re-evaluation.

SAMPLE QUESTIONS

Multiple-Choice

1. Which of the following groups typically would be considered as a secondary stakeholder?
 - a. Consumer groups
 - b. Customers
 - c. Institutional owners
 - d. Suppliers

2. What ethic is based on the argument that selfish actions in the market place are virtuous, since they contribute to an efficient economy?
 - a. Free market
 - b. Means-end
 - c. Hedonism
 - d. Categorical imperative

3. Deregulation of the trucking industry resulted in
 - a. an opening of new routes to more communities
 - b. causing inter-city freight rates to rise
 - c. an increased unionization of drivers
 - d. easing entry for new competitors

4. Which type of self-regulation is ordered by judicial or government authorities?
 - a. Pure self-regulation
 - b. Mandated self-regulation
 - c. Negotiated self-regulation
 - d. Structured self-regulation

5. The regulation of activities of multinational businesses was initiated due to the
 - a. unfavorable balance of trade between the U.S. and the rest of the world
 - b. growing importance of Latin American debtor countries
 - c. disclosure of questionable payments to foreign officials
 - d. establishment of tariffs by foreign governments

6. What term describes advertising that exaggerates the performance of a product or service?
 - a. Weasel words
 - b. Bait-and-switch
 - c. Ad creep
 - d. Puffery

7. Which of the following strategies tries to prevent corporate takeover by diluting the ownership of the acquirer?
 - a. Poison pill
 - b. Golden parachute
 - c. Greenmailing
 - d. Insider trading

8. Why was the Occupational Safety and Health Act passed?
 - a. To transfer worker safety regulations from state to federal jurisdiction
 - b. To restructure the worker compensation program
 - c. To assure safe and healthy working conditions
 - d. To help firms avoid expensive litigation in situations involving employee injuries

9. The major responsibility of a board of directors is to protect the interests of
 - a. society
 - b. stakeholders
 - c. stockholders
 - d. management

10. The Environmental Protection Agency has responsibility for all of the following EXCEPT
 - a. clean air
 - b. occupational health
 - c. toxic substances
 - d. noise

11. Which of the following is true of the Foreign Corrupt Practices Act?
 - a. It allows for grease payments.
 - b. It has made U.S. firms less competitive in foreign markets.
 - c. It prohibits payments to foreign government officials by U.S. firms.
 - d. It prohibits payments to U.S. government officials by multinational firms.

12. Crisis management is required when a firm is
 - a. in financial difficulty
 - b. discovered to have ineffective and inefficient managers
 - c. detected in unethical business practices
 - d. faced with a decisive and disruptive situation

13. Political action committees are formed by
 - a. politicians seeking to be re-elected
 - b. businesses attempting to get specific legislation passed
 - c. political activists trying to get business interested in social responsibility issues
 - d. businesses and labor in order to provide financial support to political candidates

14. Which term best describes an oligopolistic competitive environment?
 - a. Shared monopoly
 - b. Natural monopoly
 - c. External monopoly
 - d. Market monopoly

15. Anti-trust legislation was developed to prevent
 - a. the natural monopolies which tend to develop in certain industries
 - b. the lack of competition in a given industry
 - c. conglomerates from being formed
 - d. companies from becoming too large

Short Answer

16. Discuss how we are a pluralistic society and how this impacts on business decision-making.
17. Describe the changing obligations of the new social contract that exists between employee and employer.
18. Describe two positive and two negative effects that consumer activists have had upon corporate behavior.

Essay

19. Present two positive and two negative aspects of the argument that the ultimate social responsibility of a business is to make profits.
20. Identify and describe four responsibilities that a corporation should satisfy if it wants to be considered socially responsible.

ANSWERS TO SAMPLE QUESTIONS

Multiple Choice

1. **a** 2. **a** 3. **d** 4. **b** 5. **c** 6. **d** 7. **a** 8. **c**
9. **c** 10. **b** 11. **d** 12. **d** 13. **c** 14. **b** 15. **b**

Short Answer

16. We are a pluralistic society because there is a diffusion of power among the many institutions, interests, and demographic groups. Pluralism affects decision-making by forcing management to consider all stakeholder groups and their reaction to potential decisions. It makes decision-making much more complex and somewhat less decisive.
17. Because of the dynamism in the world of global business, there is a basic shift from a desire for lifetime employment to a more short-term orientation. Loyalty is being replaced by opportunity and need. Neither side feels the need to stick with the other because of an obligation, but must be free to do what is best for them. Employees must display their worth to the employer and if they do they also become more attractive to other employers. Employees will work for whomever can provide the best economic and psychic value. Employers look at employees as a cost that must prove their benefit.
18. Some positive effects: Increased consumer awareness in many areas, such as the following.
 - A. Product quality and safety
 - B. The impact of business and their practices
 - C. Have forced business to consider larger societal issues, such as the environment and community
 - D. Have forced business to consider its social obligations, responsibility and responsiveness

Some negative effects:

- A. Some groups have hidden agendas and can be manipulated
- B. Some groups only care about their own self-interest and little about the rest of society
- C. Often used as a foil for business to hike prices and bemoan lack of creativity

Essay

19. Positives:

It is what business does best. Asking or demanding that business take on activities not associated with profitability will cause management to lose their focus and become inefficient. Their goals and objectives should be based on what is best for the business, its owners and its customers.

It is the best use of society's resources. The capitalistic system is based on a division of labor in which society's resources are allocated to those who can best use them and improve the quality of life. Business managers are not well equipped to handle social problems and other issues beyond their scope of expertise. Also, if one firm's processes cause wasted resources, other businesses will be formed to make use of the resources or at least clean them up.

Negatives:

Business is so powerful it can influence government and the legal environment. Those advocates of free enterprise such as Milton Friedman argue that business's only social responsibility is to play within the rules of the game (laws and regulations). They fail to see that business can and does influence the making up of the rules.

Profits are only one objective of a business. Granted that profitability is important, however, it must be thought of in tandem with durability, longevity, market share, innovation, legitimacy and overall effectiveness. A sole pursuit of profits will result in short-term maximization and long-term death.

20. The four responsibilities a corporation should satisfy are economic, ethical, legal, philanthropic.

Economic takes into consideration that a firm must produce worthwhile goods and services at a fair profit that allows the firm to make a profit for stockholders and the perpetuation of the firm.

Legal focuses on a business's ability to comply with the laws of the land.

Ethical goes beyond a business adhering to the legal rules to practicing or even exceeding the values and standards of society.

Philanthropic looks at a firm's willingness to contribute resources beyond society's expectations.