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LEADERSHIP

Social Context of Business
ADM 1301 Sections N, P Winter 2010
Mid-Term Examination
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Professor: Tim Ragan

Instructions:

1. Complete **all** questions of this examination directly on this question paper in the space provided. Point-form responses are acceptable & encouraged.
2. Time limit is 75 minutes (1 hour, 15 minutes). Maximum of 100 marks. Budget your time carefully. This exam is worth 20% of your final grade.
3. Write neatly and legibly.
4. You must sign the academic attestation below.

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Statement of Academic Integrity

This work conforms to the rules on academic integrity of the University of Ottawa.

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Part 1 – Multiple Choice questions (15, worth 1 mark each = 30 marks)

Select the most appropriate answer and indicate your choice directly on this question paper.

1. Which of the following groups can be considered a stakeholder?

- A) Society
 B) Media
 C) Government
 D) Competitors
 E) All of the above.

2. The three main stakeholders in the operation of the corporation are:

- A) Owners
 B) Boards of directors
 C) Managers
 D) All of the above.
 E) None of the above.

3. Owners of a corporation are represented by:

- A) Managers
 B) Employees
 C) Board of directors
 D) Customers
 E) Suppliers

4. Which of the following is an ethical implication of consumer sovereignty?

- A) Consumers are not always aware of alternative products available.
 B) Consumers' preferences are shaped by advertising.
 C) Producers have the power to ignore consumer wishes.
 D) All of the above.
 E) None of the above.

5. What degree of awareness of the issue exists in the first stage of the issues life cycle:

- A) Declining awareness.
 B) None or little awareness.
 C) Increasing awareness.
 D) Prominent awareness.
 E) Peak awareness.

6. Which of the following stages is the last stage of issues management?

- A) Analysis of issues.
- B) Monitoring and evaluating issue response.
- C) Implementing issue response.
- D) Ranking or prioritizing of issues.
- E) Formulating issue response.

B

7. A definitive stakeholder is one that possesses:

- A) Power.
- B) Power and legitimacy.
- C) Urgency and legitimacy.
- D) Power and urgency.
- E) Power, legitimacy, and urgency.

E

8. According to stakeholder identification and salience theory, legitimacy is:

- A) The ability of one social actor to change the behaviour of another.
- B) An assumption that the actions of an entity are desirable, proper, or appropriate.
- C) The degree to which the stakeholder's claim calls for immediate attention.
- D) Is a non-socially constructed attribute.
- E) Is a static as opposed to a dynamic variable.

B

9. The use of a mission, values statement, and code of conduct or ethics is part of which type of regulation?

- A) Corporate self-discipline regulation.
- B) Industry self-regulation.
- C) Self-regulation involving stakeholders.
- D) Negotiated self-regulation.
- E) Mandatory self-regulation.

A

10. Which of the following is an example of business involvement in politics?

- A) Financing of political parties.
- B) Publicly expressed support for a candidate or party.
- C) Publicly expressed views on political issues.
- D) Executives running for public office.
- E) All of the above.

A

(14) x2

11. Which of the following is not a criticism of business lobbying?
- A) Unethical practices (e.g., bribes, gifts, improper political contributions, blackmail).
 - B) Business lobby is very weak.
 - C) Business has unequal access to government.
 - D) Cost of business lobbying is passed on to consumers.
 - E) None of the above.

B

C

12. A social problem exists when
- a. a company's expected net income is higher than its actual net income.
 - b. a company's share of the consumer market falls below a target set by the company.
 - c. society's expectations of business's performance are higher than business's actual social performance.
 - d. business's actual social performance is higher than society's expectations of business's performance.

Soc
act

A

13. Examples of social regulation includes
- a. Employment equity regulations.
 - b. The Competition Bureau.
 - c. taxes.
 - d. Canadian Radio and Telecommunications Commission (CRTC)

14. Which of the following factors explains the rise in importance of multi-stakeholder governance?

- (a) Policy issues are increasingly complex.
- (b) There is a lack of control over knowledge and resources by any one sector.
- (c) Growing recognition of the value of collaboration and complementary skills.
- (d) All of the above.

D

15. The paradox** of the consumer revolution is that: (Def'n: A **paradox** is a statement or group of statements that leads to a contradiction or a situation which defies intuition)

- a. although most businesses claim that they are consumer oriented, consumers as a group are dissatisfied with business practices.
- b. even though many businesspersons say they support family values, they fight against government's regulation of children's television programming.
- c. the Canadian Competition Bureau both protects and regulates business practices.
- d. consumers are attracted to and repelled by advertisements that use psychological appeals.

A

① x2

Part 2: Fill in the Blanks (6 questions worth 2 marks each = 12 marks)

From the material covered in this course, select the term that best describes or completes each of the following statements. Write your answer directly on this paper.

1. A system of political organization in which the activities of state are divided between at least two levels of government in such a way that each level has certain areas in which it is empowered to make final decisions. ____

architectural government economics ~~F~~

2. A course of action or inaction chosen by public authorities to address a problem, expressed in the body of laws, regulations, decisions and actions of government.

lobbying ~~X~~

3. In the partitioning of the broad economy, manufacturing, construction, utilities and communications are part of. ____

an association ~~X~~

4. A form of business designed to administer and manage public services where business enterprise and public accountability must be combined.

responsible free enterprise ~~X~~

5. A view of business's relationship with stakeholders that purports the maximization of the wealth of shareholders to be the only concern of business describes the Shareholder view.

6. That set of two-way understandings that characterizes the relationship between business and society is referred to as the Social Capital.

Part 3 -- Short Answer questions (10 questions worth total of 58 points)
Respond to ALL questions in the space provided. Marks are as shown per question.

1. "Capitalism" can be defined as an "...economic system that allows for private ownership of the means of production (land, labour, and capital) and assumes that economic decision making is in the hands of individuals or enterprises who make decisions expecting to earn a profit." Based on this, provide a working definition for what is referred to as: "stakeholder capitalism" – (4 marks)

Stakeholder capitalism can be defined as

- (2)
- allow private ownership of production
 - assume decision on earning profit &
 - care for other stakeholder
 - decision is made by enterprise & individual with the influence of stakeholder.

2. In laying out how the business system works, eight fundamentals which underpin the basic functioning of the business system can be described. (An example of one such "fundamental" would be: "the right of private property"). Of the seven remaining fundamentals, list out THREE (3), and briefly describe them (in one sentence): (6 marks)

1) Competition

- Allow competition to balance prices (prevent monopoly)

2) Profit

- goal to maximize profit.

3) Work ethics

- The belief that everybody wants to work because it is beneficial.

3. To undertake a typical "stakeholder analysis" in an organization, what are the 5 main questions that the organization must be able to address? (5 marks)

3

- Who are the stakeholder? ✓
- ~~what~~ ~~are~~ they a stakeholder? ✓
- how do we help them (satisfy them)? ✓
- what will be their reaction?
- is it the right reaction? or do we need to fix it.

4. Define the term "stakeholder management capability". Why should corporations develop "stakeholder management capability"? TWO PART QUESTION: (2 marks + 4 marks)

4

- stakeholder management capability is the ability to respond to a stakeholder immediately ✓
ex: Company is polluting producing cars.
 - Company immediately cleans up & create hybrid vehicles
 - Pay for damages
- It is important to have stakeholder management capability in order to stay alive (competitiveness) ✓ in contemporary markets.
 - Bad publicity = no clients / customer
 - good publicity = more customers

5. In understanding the workings of a typical "free enterprise system", what is the connection between competition and profits? (5 marks)

2

in a free enterprise system - business are free to produce products. ^{which include high prices.}
this profit maximization is a goal. however competition help reduce high prices when 2 or more company are competing against each other for the same market share. An unethical problem to this is that company may begin to form price cartels when price are high & competition cannot enter.

6. Government has an extremely large scope in their influence and involvement in government, ^{business} in addition to their well known role of "setting rules and regulations". Clearly identify 4 different "roles" of government related to their involvement with business (provide enough detail to ensure the role is clear): (4 marks)

3

- 1 Protector ✓
 - create regulation to protect domestic businesses
- 2 Bail out ✓
 - Businesses that fail, Govt can bail them out.
- 3 money ✓
 - gov't can grant money for businesses
- 4 lobbying ✓
 - allow businesses to lobby
 - direct - in house, consulting
 - indirect - advertisement

7. A general working definition of "regulation" might be something like: "**Regulation is the imposition of constraints, backed by a recognized authority, that are intended to modify (economic) behaviour significantly...**" In practice, there is a "spectrum of regulation" that stretches from laissez-faire regulation, through various forms of self-regulation to full government regulation. Clearly highlight the differences between the following types of "regulation": **(3 marks each = total of 9 marks)**

- Corporate self-discipline:

Business - free to do its own thing
 - knows how to identify / satisfy stake holders

Govt - no intervention - little intervention

- Industry self-regulation

Industry - produce by demand of customers
 - free to produce what they want

Govt - set limits on the amount of resource allowed to be taken

- Mandated self-regulation:

Business - Free to do its own thing
 - But must follow Govt guidelines

Govt - set guide line that business must follow

8. When governments create new regulations, they want to ensure their effectiveness in terms of both accomplishing the goals of the regulation, and the costs and impacts of meeting those goals. Describe any **TWO** issues that must be considered by the government when deciding whether to regulate and how to best regulate. **How to best do it (implications)** **(4 marks)**

Customer stakeholder - The new regulation may set a cost for business which in turn cost is passed down to customers

government should have the regulation be able to be changed if business, the public & themselves wants to make any changes to the new regulation

9. A "pluralistic society" is one where influence or power is decentralized by dispersing it among a variety of institutions. This specific aspect of a society provides significant strengths, however also contains numerous weaknesses. Provide – in point form -- three strengths and three weaknesses of a pluralistic society. (6 marks)

5

STRENGTHS	1) Dilute concentration of power ✓ 2) Maximizes freedom ✓ 3) help prevent allegiance ✓
WEAKNESSES	1) pursuit of self interest ✓ 2) forces conflict ✓ 3) low influence

10. Identify the three (3) branches of the Canadian federal government, and state what groups/individuals are included in each of the branches: (9 marks)

9

BRANCH	INCLUDES THESE GROUPS:
Executive ✓	Prime minister ✓ & ministers (health, finance etc.) & public services
Legislative ✓	House of Commons ✓ & Senate ✓
Judiciary ✓	Supreme court ✓