# Test Bank for Business and Society 17th Lawrence

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CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

**TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.**

1) A public issue exists when there is agreement between the stakeholders' expectations of what a business firm should do and the actual performance of that business firm.
   - ⦾ true
   - ⦾ false

2) Emerging public issues are both a risk and an opportunity.
   - ⦾ true
   - ⦾ false

3) Understanding and responding to changing societal expectations is a business necessity.
   - ⦾ true
   - ⦾ false

4) Because the public issues that garner the most public attention change over time, companies do not waste time tracking them.
   - ⦾ true
   - ⦾ false

5) Environmental analysis is a method managers use to gather information about external issues and trends.
   - ⦾ true
   - ⦾ false

6) Environmental intelligence is the acquisition of information gained from analyzing the multiple environments affecting organizations.
   - ⦾ true
   - ⦾ false

7) Competitive intelligence enables managers in companies of all sizes to make informed decisions in all areas of the business.
   - ⦾ true
   - ⦾ false

8) Stakeholder materiality is a method companies use to prioritize the relevance of the stakeholders and their issues.
   - ⦾ true
   - ⦾ false



9) In the issue management process, identifying the issue involves anticipating emerging issues.
   - ⦾ true
   - ⦾ false

10) Contemporary issue management is a finite process that occurs on average once a year.
   - ⦾ true
   - ⦾ false

11) The boundary-spanning department assigned to manage a public issue often depends on the nature of the issue.
   - ⦾ true
   - ⦾ false

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12) Business organizations are transitioning from transparently sharing their opinion on an issue to managing issues after the fact.
   - ⦾ true
   - ⦾ false

13) For stakeholder engagement to occur, both the business and the stakeholder must be motivated to work with one another to solve the problem.
   - ⦾ true
   - ⦾ false

14) Stakeholder dialogue refers to all of the support calls a firm gets from its stakeholders.
   - ⦾ true
   - ⦾ false

15) Companies are learning that it is important to take a strategic approach to the management of public issues, both domestically and globally.
   - ⦾ true
   - ⦾ false



**MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.**

16) Public issues are also referred to as
   - A) social issues.
   - B) sociopolitical issues.
   - C) political issues.
   - D) both social issues and sociopolitical issues.

17) The emergence of a public issue indicates that
   - A) a gap may be forming between what stakeholders expect and what a firm is doing.
   - B) technology is forcing ethical decisions and business strategy closer together.
   - C) consumers are often unaware of how an organization's actions affect them.
   - D) All of these choices are correct.

18) Failure to understand the beliefs and expectations of stakeholders may
   - A) cause a company's profits to increase in the short run.
   - B) cause a company's profits to decrease in the short run.
   - C) cause the performance-expectations gap to grow larger.
   - D) decrease the chance of a corporate buyout.

19) Because of the risks and opportunities public issues present, organizations need
   - A) a strong relationship with a lobbying firm or an in-house lobbying department.
   - B) executives to be rewarded with substantial bonuses as part of total compensation.
   - C) a systematic way of identifying, monitoring, and selecting public issues.
   - D) tougher government regulations and oversight by political action committees.

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20) Customer environmental intelligence includes
    A) demographic factors.
    B) an analysis of the firm's competitors.
    C) new technological applications.
    D) the cost of producing consumer goods.

21) Scanning the competitor environment includes
    A) identifying the number of competing organizations.
    B) determining how many rivals may become allies.
    C) analyzing the growth rates of competing firms.
    D) All of these choices are correct.

22) An analysis of the stability or instability of a government is an example of scanning which type of environmental intelligence?
    A) social
    B) legal
    C) geophysical
    D) political



23) Legal environmental intelligence includes
    A) patterns of aggressive corporate growth versus static maintenance.
    B) analysis of local, state, national, and international politics.
    C) considerations of patents, copyrights, or trademarks.
    D) information regarding costs, prices, and international trade.

24) The role of special interest groups is an important element in acquiring intelligence from which environment?
    A) customer
    B) competitor
    C) economic
    D) social

25) The relevance and importance of stakeholders and their issues is known as
    A) stakeholder salience.
    B) competitive intelligence.
    C) stakeholder materiality.
    D) organizational capacity.

26) The issue management process is important to organizations because it
    A) is now required by certain government regulations.
    B) assists firms in reactively managing a public-facing issue.
    C) helps firms to proactively manage a public-facing issue.
    D) guides firms in consistently making ethical decisions.

27) The issue management process consists of these steps in this order:
    A) identify issue, take action, analyze results, defend results.
    B) analyze issue, take action, generate options, evaluate results.
    C) evaluate results, take action, identify issue, analyze issue.
    D) identify issue, analyze issue, generate options, take action, evaluate results.

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28) An issue's public profile indicates to managers
    - A) how significant an issue is for the organization, but it does not tell them what to do.
    - B) both how significant an issue is for the organization and exactly what to do.
    - C) exactly what to do without indicators of how significant an issue is for the organization.
    - D) Each of the other choices are correct, depending on the organization type.

29) When working well, the issue management process
    - A) is static and never pulls in additional information that would disturb the balance.
    - B) automatically operates with little to no company involvement.
    - C) minimizes dialogue with the stakeholders and focuses on short-term survival.
    - D) continuously cycles back to the beginning and repeats.

30) Contemporary issue management
    - A) is a linear process.
    - B) was useful in the 1970s, but not today.
    - C) is used by all government agencies.
    - D) is an interactive, forward-thinking process.

31) How does a firm decide which internal department takes the lead on a public issue?
    - A) The CEO and other officers always lead the resolution of public issues.
    - B) Human resources is the default department for resolving public issues.
    - C) Marketing is the first line of defense for managing public issues.
    - D) The nature of the issue typically determines which team manages the issue.

32) The most effective global leaders possess the ability to grasp changing business context, which means what?
    - A) having the appropriate skills to communicate with external stakeholders
    - B) possessing the ability to deal with the frequent ambiguity of public issues
    - C) understanding emerging environmental and social trends affecting the firm
    - D) being able to grasp the long-term strategic plan of the organization

33) Effective global leaders deal with the complexity of public issues in what ways?
    - A) being flexible
    - B) using creativity
    - C) learning from mistakes
    - D) All of these choices are correct.

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34) The capability of effective global leaders to engage stakeholders in dialogue and partnership over public issues is referred to as
    A) connectedness.
    B) conceptualism.
    C) contextualization.
    D) continuity.

35) Over time, the nature of business's relationship with its stakeholders often
    A) remains generally static.
    B) evolves through a series of stages.
    C) becomes increasingly hostile.
    D) becomes more competitive.

36) Companies that believe they can make decisions unilaterally, without taking into consideration their impact on others, are
    A) interactive.
    B) proactive.
    C) reactive.
    D) inactive.

37) Firms that generally act only when forced to do so, and then in a defensive manner, are
    A) interactive.
    B) proactive.
    C) reactive.
    D) inactive.

38) Proactive companies are
    A) much less likely to be blindsided by crises and negative surprises.
    B) much more likely to be blindsided by crises and negative surprises.
    C) more likely to be blindsided by crises and negative surprises.
    D) more likely to be forced to defend themselves in a stakeholder lawsuit.

39) An interactive business–stakeholder relationship is one where
    A) companies actively engage with stakeholders through mutual respect and trust.
    B) companies engage with all of their stakeholders using only electronic communications.
    C) competitive advantage is realized through a constant change of internal representatives.
    D) organizations use role-playing to effectively engage with external stakeholders.

40) Stakeholder engagement is best described as a
    A) program.
    B) relationship.
    C) process.
    D) systems model.

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41) The drivers of stakeholder engagement are
- A) scanning, assessment, and growth.
- B) data, strategy, and organizational development.
- C) goals, motivation, and operational capacity.
- D) financial, operational, and legal.

42) What role does social media play in stakeholder engagement?
- A) provides a forum for the firm to share information with the public via blogs and press releases
- B) offers a mechanism for the public to voice their opinions of the firm and its products via reviews
- C) makes stakeholder communications faster and more effective
- D) All of these choices are correct.

43) The process of a business and its stakeholders coming together for face-to-face conversations about issues of common concern is called stakeholder
- A) networks.
- B) motivation.
- C) systems.
- D) dialogue.

44) The act of corporations working collaboratively with other businesses, concerned persons, and organizations is an example of stakeholder
- A) networks.
- B) motivation.
- C) systems.
- D) salience.

45) What was the primary performance–expectations gap in the case "Robinhood: The Challenges of Keeping Pace with Innovation"?
- A) The firm advertised free trades for all but actually charged its customers hefty hidden fees.
- B) The public expected effective customer support, but it was slow and inadequate.
- C) The public expected a state-of-the-art app, but it was essentially outdated software.
- D) The firm claimed to have made donations to charity, but instead the money went to investors.



46) Which of the eight strategic radar screens would be the most significant in the case "Robinhood: The Challenges of Keeping Pace with Innovation"?
- A) legal
- B) competitor
- C) customer
- D) technological

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

47) What are public issue and how do they impact modern firms?

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48) What is competitive intelligence? Why is it important to the public affairs function?

49) Identify the eight strategic radar screens that enable public affairs managers to scan their business environment. Briefly discuss the issues involved with each environment.

50) Give an example and explain why stakeholder materiality is important to both the company and its stakeholders.

51) Identify and discuss the five steps of the issues management process.

52) What are the various stages of the business–stakeholder relationship?

53) Engaging interactively with stakeholders carries a number of potential benefits. Discuss.

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## Answer Key

Test name: Chapter 02

1) FALSE
2) TRUE
3) TRUE
4) FALSE
5) TRUE
6) TRUE
7) TRUE
8) TRUE
9) TRUE
10) FALSE
11) TRUE
12) FALSE
13) TRUE
14) FALSE
15) TRUE
16) D
17) A
18) C
19) C
20) A
21) D
22) D
23) C
24) D
25) C
26) C
27) D
28) A
29) D
30) D
31) D
32) C
33) D
34) A
35) B
36) D
37) C
38) A
39) A
40) B
41) C
42) D
43) D
44) A
45) B
46) C
47) Short Answer
Answers may vary.

48) Short Answer
Answers may vary.

49) Short Answer
Answers may vary.

50) Short Answer
Answers may vary.



51) Short Answer
Answers may vary.

52) Short Answer
Answers may vary.

53) Short Answer
Answers may vary.

# CHAPTER 2
# MANAGING PUBLIC ISSUES AND STAKEHOLDER RELATIONSHIPS

## INTRODUCTION

Businesses today operate in an ever-changing external environment, where effective management requires anticipating emerging public issues and engaging positively with a wide range of stakeholders. Whether the issue is growing concerns about employee safety, civil disorder, or privacy, managers must respond to the opportunities and risks it presents. To do so effectively often requires building relationships across organizational boundaries, learning from external stakeholders, and altering practices in response. Effective management of public issues and stakeholder relationships builds value for the firm.



## PREVIEW CASE

### The Business Roundtable

**Teaching Tip: Preview Case**



If instructors want more background, they could read and/or assign the Business Roundtable Statement for students to read. The reference is: https://opportunity.businessroundtable.org/ourcommitment/.

The members of the Business Roundtable explain the motivation for "The Statement of the Purpose of a Corporation". Instructors may ask if the statement communicates commitment to a different way of doing business or provides cover and generates publicity to sway public opinion.

## *CHAPTER OUTLINE*

**I. PUBLIC ISSUES**

**II. ENVIRONMENTAL ANALYSIS**

**Teaching Tip: Eight Strategic Radar Screens**

The "eight strategic radar screens" is a useful tool for nearly any case. The instructor may want to introduce a case from the end of the book, before launching into a more elaborate analysis later in the semester using the same case, since the radar screens can provide an overview of the major forces engaged in the case. Or, a local situation from the community or campus might be a good focus for applying the radar screens.

**A. Competitive Intelligence**

**B. Stakeholder Materiality**

**Teaching Tip: Stakeholder Materiality**

This emerging notion comes out of corporate practice. Students may be assigned to search for companies, other than Unilever, that use this tool. The instructor may want to apply this tool to a case used earlier in the semester, or an emerging issue/current event. This tool is implicitly used to organize and prioritize the many demands on us in our daily lives.



## III. THE ISSUE MANAGEMENT PROCESS

**A. Identify Issue**



**B. Analyze Issue**

**C. Generate Options**

**D. Take Action**

**E. Evaluate Results**

**Teaching Tip: Issue Management Process**

This is another opportunity where a current issue on campus, in the local community, or on the national or international stage could be used for students to analyze how this issue is progressing or has progressed through the issue management process. The instructor may use this opportunity to highlight the connection between managing issues effectively and preserving a firm’s reputation.

## IV. ORGANIZING FOR EFFECTIVE ISSUE MANAGEMENT

## V. STAKEHOLDER ENGAGEMENT

### A. Stages in the Business-Stakeholder Relationship

| **Teaching Tip: Stages in the Business-Stakeholder Relationship** |
|---|
| The four stages provide an excellent comparison of business action toward a stakeholder. Comparing the impact of these different actions to any case could be a good illustration for the students of the many demands on us in our daily lives. |

### B. Drivers of Stakeholder Engagement

- **Goals**
- **Motivation**
- **Organizational Capacity**

### C. The Role of Social Media in Stakeholder Engagement

| **Teaching Tip: The Role of Social Media** |
|---|
| Students could investigate and locate examples of businesses turning to social media to engage with its stakeholders. Examples could be internal to the business or from the larger social environment. |



## VI. STAKEHOLDER DIALOGUE

### A. Stakeholder Networks

### B. The Benefits of Engagement

***GETTING STARTED***

**KEY LEARNING OBJECTIVES**

**LO 2-1: Identifying public issues and analyzing gaps between corporate performance and stakeholder expectations. (pp. 27-30)**

A public issue is an issue that is of mutual concern to an organization and one or more of the organization's stakeholders. Stakeholders expect a level of performance by businesses, and if it is not met a gap between performance and expectation emerges. The larger the gap, the greater risk of stakeholder backlash or missed business opportunity.

**LO 2-2: Applying available tools or techniques to scan an organization's multiple environments and assessing stakeholder materiality. (pp. 30-35)**

The eight strategic radar screens (the customer, competitor, economic, technological, social, political, legal, and geophysical environments) enable public affairs managers to assess and acquire information regarding their business environments. Managers must also assess the importance or materiality of public issues to the firm and their stakeholders.

**LO 2-3: Describing the steps in the issue management process and determining how to make the process most effective. (pp. 35-38)**

The issue management process includes identification and analysis of issues, the generation of options, action, and evaluation of the results.

**LO 2-4: Identifying the managerial skills required to respond to emerging issues effectively. (pp. 38-39)**

In the modern corporation, the issue management process takes place in many boundary-spanning departments. Some firms have a department of external affairs or corporate relations to coordinate these activities and top management support is essential for effective issue management.



**LO 2-5: Understanding the various stages through which businesses can engage with stakeholders, what drives this engagement, and the role social media can play. (39-42)**



Stakeholder engagement involves building relationships between a business firm and its stakeholders around issues of common concern and is enhanced by understanding the goals, motivations, and organizational capacities relevant to the engagement. Social media is playing a more expansive role in stakeholder engagement.

**LO 2-6: Recognizing the value of creating stakeholder dialogue and networks. (pp. 42-44)**

Stakeholder dialogue is central to good stakeholder engagement, supported by network building or partnerships.

## KEY TERMS

competitive intelligence

environmental analysis

environmental intelligence

issue management

issue management process

performance–expectations gap

public issue

stakeholder dialogue

stakeholder engagement

stakeholder materiality

stakeholder network

## INTERNET RESOURCES

| | |
|---|---|
| *www.wn.com/publicissues* | World News, Public Issues |
| *www.nifi.org* | National Issues Forum |
| *unfoundation.org/what-we-do/issues* | United Nations Foundation, Global Issues |
| *www.issuemanagement.org* | Issue Management Council |
| *www.scip.org* | Society of Competitive Intelligence Professionals |
| *www.globalissues.org* | Global Issues |
| *millennium-project.org* | The Millennium Project |
| *www.cfr.org* | Council on Foreign Relations |
| *pac.org/fpa* | Foundation for Public Affairs, Public Affairs Council |



## *DISCUSSION CASE*

## ROBINHOOD: THE CHALLENGES OF KEEPING PACE WITH INNOVATION

### *Discussion Questions*

1. **What was the public issue facing Robinhood in this case?**

   Students are likely to identify poor customer service as the public issue facing Robinhood. Sophisticated students understand that poor customer service is a consequence of a larger issue: offering amateur investors access to complicated trades without providing the necessary support to ensure they have access to and understand relevant information for making informed trades.

**2. Describe the "performance–expectations gap" found in the case. What were the stakeholders' (consumers, employees, legislators) expectations, and how did they differ from Robinhood's performance?**

Consumers expected a platform that would function properly along with prompt and responsive customer assistance.

Employees expected a leadership team that would be responsive when informed of technical problems with the platform as dedicate resources and support to address issues with customer service. Instead, it appeared as if the CEOs continued to conduct business despite promising to address these issues.

Legislators expected that Robinhood would address the customer support issue promptly, especially after unresponsive customer service was attributed as a contributing factor to a customer's suicide. Instead, at the hearing where Robinhood CEO Vladimir Tenev was testifying, a congressman called the helpline and got a recorded message.

**3. If you applied the strategic radar screens model to this case, which of the eight environments would be most significant, and why?**

*Customer Environment*: Robinhood was targeted to young people who would be most comfortable with the technology. The app was "gamified" with transactions replicating the reward experiences often associated with video games. Unfortunately, this demographic is also vulnerable because they are likely to have little experience to inform complicated transactions such as options. Poor and unresponsive customer support exacerbated problems caused by inexperience with complex trades. Robinhood did have the staff necessary to field all of the requests for support.



*Technological Environment*: Robinhood's app provided a novel platform for amateur investors to execute trades. Some trades were those that had been previously available to professional traders. This app was one of the first of its kind and as a result experienced technical problems (executing trades incorrectly, site crashing and/or freezing)

*Social Environment*: Sentiment toward the app changed rapidly. Initially, Robinhood was perceived as tool that expanded access to non-professional traders. It was seen as democratizing trading so that the average joe could make bigger and more complex transacations that would yield bigger returns without the need to include a professional trader as an intermediary. Over time, Robinhood was seen as uncaring company that benefited from the inexperience of its customers.

*Political Environment*: Incidents like Nick's suicide and complaints from constituents who experienced slow customer service and technological problems with the platform that resulted in loss of money motivate increased scrutiny from legislators. Congress convened hearings to investigate issues with Robinhood. All of these events could result in increased regulation.

*Legal Environment*: Robinhood could be the target of law suits initiated by customers who lost money due to the problems with the app as well as families, like Nick's, who sue for the company's part in contributing to their self-harm or suicide.

**4. Apply the issue management life cycle process model to this case. Which stages of the process can you identify?**

*Identify issue*: leadership at Robinhood failed to anticipate the problems generated by its investment app. Employees brought concerns about capacity to provide customer service. Customers complained about the delay in responding to their requests for assistance.

*Analyze the issue*: leadership at Robinhood seemed unaware of the gravity of the concerns brought forward by employees and customers. Employees describe leadership as unresponsive.

*Generate options*: CEOs of the company proposed improvements to the app that would provide more guidance for customers, updates on how the app would display busying power, and live customer support for customers with open options positions.

*Take action*: CEOs failed to take action. When congressman called their customer service line, he was directed immediately to a recorded message.

*Evaluate results*: Information from the case does not address whether or not leadership did anything differently after the congressional hearing.



**5. In your opinion, did Robinhood respond appropriately to this issue? Why or why not?**

Students answers will vary. Good answers will express an opinion and refer to facts from the case to support their point of view. 

**6. If you were a member of Robinhood's leadership team, what would you have decided to do (or not to do) in the face of emerging concerns about online investing apps?**

Student answers will vary. Good answers will be informed by stakeholder model, considering the interests of affected stakeholders and developing a course of action that would address the needs of as many stakeholders as possible.