Test Bank for Business and Society - Stakeholders Ethics Public Policy 2026 Release 1st Lawrence

Corret Answers are located at the end of each chapter.

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

1) A business is any organization that is engaged in making a product or providing a service for a profit.
   - ⊙ true
   - ⊙ false

2) The term *stakeholder* refers exclusively to the founders of a business organization.
   - ⊙ true
   - ⊙ false

3) Businesses and society are independent of each other.
   - ⊙ true
   - ⊙ false

4) The stakeholder theory of the firm argues that a firm's sole purpose is to create long-term value for its shareholders.
   - ⊙ true
   - ⊙ false

5) The instrumental argument for the stakeholder theory of the firm says that companies perform better if they consider the rights and concerns of multiple groups in society.
   - ⊙ true
   - ⊙ false

6) The normative argument for the stakeholder theory of the firm says that the stakeholder view is simply a more realistic description of how companies really work.
   - ⊙ true
   - ⊙ false

7) Nonmarket stakeholders are those that engage in economic transactions with the company as it carries out its primary purpose of providing society with goods and services.

- ◎ true
- ◎ false

8) Market stakeholders include nongovernmental organizations and business support groups.

- ◎ true
- ◎ false

9) Government can be considered both a market and a nonmarket stakeholder.

- ◎ true
- ◎ false

10) The interests of different stakeholders often coincide.

- ◎ true
- ◎ false

11) The first step of stakeholder analysis is to identify relevant stakeholders.

- ◎ true
- ◎ false

12) Some scholars have suggested that managers pay the most attention to stakeholders possessing the least salience.

- ◎ true
- ◎ false

13) The organization of a corporation's boundary-spanning functions is complex.

- ◎ true
- ◎ false

14) Businesses are increasingly trying to meet their commitments to multiple stakeholders.

- ⊚ true
- ⊚ false

15) The external environment of business is static.

- ⊚ true
- ⊚ false

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

16) The relationship between business and society is most accurately described by which statement?

A) Business is an unbounded entity within the larger bounded entity of society.
B) Society is a distinct bounded entity within the larger bounded entity of business.
C) Business is a distinct bounded entity separate from the bounded entity of society.
D) Business is a distinct bounded entity within the larger bounded entity of society.

17) According to general systems theory, boundary exchanges are exemplified by which of the following?

A) An industrial company installs new equipment in its plant to comply with environmental regulations.
B) A software company develops an application for a client.
C) A purchasing department employee negotiates a price on parts with a supplier.
D) All of these choices are correct.

18) The inseparable relationship between business and society results in which of the following?

A) All business decisions have a social impact.
B) The vitality of business depends on society's actions and attitudes.
C) The survival of business is independent of society.
D) Both “All business decisions have a social impact” and “The vitality of business depends on society’s actions and attitudes” are correct.

19) Which of the following statements is ***not*** true about the interactive social system?

A) Business and society need, as well as influence, each other.

B) The boundary between business and society is clear and distinct.

C) Business is a part of society, and society penetrates far and often into business.

D) Business and society are both separate and connected.

20) A firm subscribing to the shareholder theory of the firm would mainly be concerned with providing long-term value for its

A) investors.

B) customers.

C) board of directors.

D) community.

21) Corporations that follow the stakeholder theory of the firm create value by

A) constantly innovating new products.

B) increasing their stock price.

C) developing their employees' skills.

D) All of these choices are correct.

22) Which argument says that stakeholder management realistically depicts how companies really work?

A) descriptive argument

B) instrumental argument

C) normative argument

D) fiduciary argument

23) The instrumental argument states that stakeholder management is

A) a more realistic description of how companies really work.

B) more effective as a corporate strategy.

C) simply the right thing to do.

D) determined by the amount of stock issued.

24) In the United States, most states have passed laws such that the fiduciary duty of managers benefits a firm's

A) shareholders.
B) customers.
C) employees.
D) All of these choices are correct.

25) The main reason a number of European countries require public companies to include employee members on their boards of directors is that

A) the employees will be available to answer other board members' questions.
B) management will not have to attend the meetings.
C) employees' interests will be explicitly represented.
D) employees will have more power than any other stakeholder.

26) Stakeholder groups can include

A) shareholders.
B) business support groups.
C) environmental activists.
D) All of these choices are correct.

27) A nonmarket stakeholder of business is exemplified by which of the following?

A) customers
B) nongovernmental organizations
C) creditors
D) shareholders

28) A market stakeholder of business is exemplified by which of the following?

A) business support groups
B) creditors
C) activist groups
D) nongovernmental organizations

29) All of the following are external stakeholders of the firm *except*

A) managers.
B) customers.
C) shareholders.
D) suppliers.

30) When a person or group holds multiple stakeholder roles, it is referred to as

A) role sets.
B) primary stakeholder(s).
C) role theory.
D) role play.

31) A stakeholder analysis

A) creates equality among all stakeholder interests.
B) allows managers to examine two primary questions.
C) involves understanding the nature of stakeholder interests.
D) All of these choices are correct.

32) The five types of stakeholders' power recognized by most experts are

A) voting, economic, political, legal, and informational power.
B) social, legal, environmental, economic, and political power.
C) social, regulatory, voting, governance, and information power.
D) economic, informational, legal, shareholder, and political power.

33) The power of stakeholders is accurately described by which statement(s)?

A) Different stakeholders have different types and degrees of power.
B) An individual stakeholder may utilize multiple powers.
C) Stakeholder power leverages resources to achieve a desired outcome.
D) All of these choices are correct.

34) Customers can exercise economic stakeholder power by

A) voting on a proposed merger for the company and a competitor.
B) boycotting products they believe are too expensive.
C) suing the company for damages caused by products.
D) writing negative online product reviews.

35) Which statement is an example of stakeholders' political power?

A) A social group protests a government’s decision to raise property taxes.
B) A supplier halts shipments to a business customer that is behind on payments.
C) A state government implements a new business-related regulation.
D) A local community boycotts a grocery store suspected of discriminatory hiring.

36) When a community group sues a company for health effects caused by the unsafe disposal of toxic chemicals, this is an exercise of a stakeholder's

A) legal power.
B) voting power.
C) economic power.
D) political power.

37) Which stakeholder group(s) can exercise legal power?

A) employees
B) customers
C) shareholders
D) All of these choices are correct.

38) What actions might a local community use to influence a company’s decisions?

A) publicizing an issue on social media
B) lobbying government policy makers for regulations
C) protesting corporate behavior at shareholder meetings
D) All of these choices are correct.

39) With the explosive growth of technologies that facilitate the sharing of information, which kind of stakeholder power has become increasingly important?

A) economic power
B) political power
C) informational power
D) legal power

40) What is the primary reason that stakeholder coalitions form?

A) The stakeholder power(s) of different groups coincides.
B) The communication skills of different groups coincide.
C) The stakeholder interest(s) of different groups coincides.
D) The urgency of different stakeholder groups coincides.

41) When something stands out from a background, is seen as important, or draws attention it is

A) urgent.
B) salient.
C) powerful.
D) legitimate.

42) Particular stakeholders stand out to managers when they exhibit

A) integrity, power, and legitimacy.
B) power, legitimacy, and urgency.
C) integrity, loyalty, and power.
D) legitimacy, loyalty, and urgency.

43) A stakeholder map is a useful tool because

A) it enables managers to quickly see how stakeholders feel about an issue.
B) it allows managers to evaluate what outcomes are likely regarding an issue.
C) it helps managers identify stakeholder coalitions likely to form.
D) All of these choices are correct.

44) Departments, or offices, within an organization that reach across the dividing line that separates the company from groups and people in society are

A) inter-departmental divisions.
B) geographical location areas.
C) boundary-spanning departments.
D) organizational maps.

45) External forces that influence the relationship between business and society include

A) increased globalization and new government regulations of business.
B) dynamic natural environment and new technology advances.
C) changing societal expectations and a growing demand for ethical values.
D) All of these choices are correct.

46) Which dynamic force that shapes the business and society relationship is most relevant as related to employee work arrangements?

A) explosion of new technology
B) changing societal expectations
C) dynamic natural environment
D) evolving government regulation of business

47) What was the impact on local Seattle businesses when most Starbucks' employees worked from home?

A) There was no significant impact on local Seattle businesses.
B) Businesses thrived from tourism since there was plenty of room.
C) Local businesses saw decreased patronage, and some had to shut down.
D) Many new businesses popped up near Starbucks' headquarters.

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

48) Describe how general systems theory can be applied to a business.

49) Supporters of the stakeholder theory of the firm make three core arguments for their position. Define and provide examples of each.

50) Compare and contrast the relationships a firm may have with market and nonmarket stakeholders.

51) Discuss why a manager should, or should not, be considered a stakeholder.

52) Explain the process called stakeholder analysis. Include a description of its four key questions.

53) What is a stakeholder map? Why is it a useful tool?

54) Which of the boundary-spanning departments shown in Figure 1.5 (Reference Figure 1.5 in your eBook by using the eBook button in the resources area) is most likely to interact with internal as well as external stakeholders, and why do you think so?

55) Describe and give examples of the external forces that shape the relationship between business and society.

Answer Key
Test name: Chapter 01

1) TRUE
2) FALSE
3) FALSE
4) FALSE
5) TRUE
6) FALSE
7) FALSE
8) FALSE
9) TRUE
10) TRUE
11) TRUE
12) FALSE
13) TRUE
14) TRUE
15) FALSE
16) D
17) D
18) D
19) B
20) A
21) D
22) A
23) B
24) D
25) C
26) D
27) B
28) B
29) A
30) A
31) C
32) A
33) D
34) B
35) C
36) A
37) D

38) D
39) C
40) C
41) B
42) B
43) D
44) C
45) D
46) B
47) C
48) Short Answer
49) Short Answer
50) Short Answer
51) Short Answer
52) Short Answer
53) Short Answer
54) Short Answer
55) Short Answer

CHAPTER 1
THE CORPORATION AND ITS STAKEHOLDERS

INTRODUCTION

Business corporations have complex relationships with many individuals and organizations in society. The term *stakeholder* refers to all those that affect, or are affected by, the actions of the firm. An important part of management's role is to identify a firm's relevant stakeholders and understand the nature of their interests, power, and alliances with one another. Building positive and mutually beneficial relationships across organizational boundaries can help enhance a company's reputation and address critical social and ethical challenges. In a world of fast-paced globalization, shifting public expectations and government policies, growing ecological concerns, and new technologies, managers face the difficult challenge of achieving economic results while simultaneously creating value for all of their diverse stakeholders.

PREVIEW CASE

Amazon.com

Teaching Tip: Preview Case Video

The Amazon example that opens the chapter illustrates the challenges of managing successfully in a complex global network of stakeholders. It may also be used to illustrate how different stakeholders may perceive a corporation differently, depending on their vantage point. Instructors may wish to introduce a discussion of the opening example with a short video profile of the company: "How Big Is Amazon?" (WCDaily, March18, 2021, www.youtube.com/watch?v=SWjpbc-FJII&t=18 (4:06 minutes).

This can be followed by prompts, such as:

- Do you personally like or dislike Amazon? Why?
- What groups have been helped by Amazon, and what groups have been hurt?

The instructor can then build on student comments on groups that have been helped or hurt when introducing the concept of stakeholder later in the session.

CHAPTER OUTLINE

GETTING STARTED

KEY LEARNING OBJECTIVES

LO 1-1: Understanding the relationship between business and society and the ways in which business and society are part of an interactive system.

Business firms are organizations that are engaged in making a product or providing a service for a profit. Society, in its broadest sense, refers to human beings and to the social structures they collectively create. Business is part of society and engages in ongoing exchanges with its external environment. Together, business and society form an interactive social system in which the actions of each profoundly influence the other.

LO 1-2: Considering the purpose of the modern corporation.

According to the stakeholder theory of the firm, the purpose of the modern corporation is to create value for all of its stakeholders. To survive, all companies must make a profit for their owners. However, they also create many other kinds of value as well for their employees, customers, suppliers, communities, and others. For both practical and ethical reasons, corporations must take all stakeholders' interests into account.

LO 1-3: Knowing what a stakeholder is and who a corporation's market and nonmarket and internal and external stakeholders are.

Every business firm has economic and social relationships with others in society. Some are intended, some unintended; some are positive, others negative. Stakeholders are all those who affect, or are affected by, the actions of the firm. Some have a market relationship with the company, and others have a nonmarket relationship with it; some stakeholders are internal, and others are external.

LO 1-4: Conducting a stakeholder analysis and understanding the basis of stakeholder interests and power.

Stakeholders often have multiple interests and can exercise their economic, political, and other powers in ways that benefit or challenge the organization. Stakeholders may also act independently or create coalitions to influence the company. Stakeholder mapping is a technique for graphically representing stakeholders' relationship to an issue facing a firm.

LO 1-5: Recognizing the diverse ways in which modern corporations organize internally to interact with various stakeholders.

Modern corporations have developed a range of boundary-crossing departments and offices to manage interactions with market and nonmarket stakeholders. The organization of the corporation's boundary-spanning functions is complex. Most companies have many departments specifically charged with interacting with stakeholders.

LO 1-6: Analyzing the forces of change that continually reshape the business and society relationship.

Several broad forces shape the relationship between business and society. These include changing societal expectations; an emphasis on ethical action; redefinition of the role of government; a strengthened emphasis on sustainability; and the transformational role of technology and innovation. To deal effectively with these changes, corporate strategy must address the expectations of all the company's stakeholders.

KEY TERMS

boundary-spanning departments

business

external stakeholder

focal organization

general systems theory

interactive social system

internal stakeholder

market stakeholdernonmarket stakeholder

shareholder theory of the firm

society

stakeholder

stakeholder analysis

stakeholder coalitions

stakeholder interests

stakeholder map

stakeholder power

stakeholder salience

stakeholder theory of the firm

INTERNET RESOURCES

www.economist.com	The Economist
www.fortune.com	Fortune
www.nytimes.com	The New York Times
www.wsj.com	The Wall Street Journal
www.bloomberg.com	Bloomberg
www.ft.com	Financial Times (London)
www.cnn.com/business	CNN Business

DISCUSSION CASE

BACK TO THE OFFICE AT STARBUCKS

Discussion Questions

1. What is the focal organization in this case, and what challenges did it face when Brian Niccol became CEO?

The focal organization in the case is Starbucks. When Brian Niccol became CEO in 2024, Starbucks faced several challenges. It had experienced top leadership instability, with three CEOs in less than two years. The company's stock price was down slightly during a period when the leading stock index was up by 15 percent, and two groups of activist investors were pressuring Starbucks for changes. The incoming CEO blamed the weak stock price on a "degraded" store experience.

2. What are the three kinds of work arrangements mentioned in the case? If you worked in a corporate role at Starbucks' headquarters, which of these work arrangements would you prefer, and why? What factors might influence how Starbucks workers would answer this question?

Three kinds of work arrangements are mentioned in the case. These are: fully remote (working from home full time); hybrid (working from home part time); and in-person (working in the office or other workplace full time). Students' preferences will differ, based on their life experiences and personal needs.

Arguments for *remote* work may include:

- Greater flexibility in use of time.
- Greater work-life balance.
- Less time and money devoted to commuting.
- Less time and money devoted to associated costs of office work, e.g., work clothes, grooming.

Arguments for *in-person* work may include:

- Enhanced opportunities for team collaboration, social interaction, and creative problem solving.
- Better mentorship opportunities and likelihood of career advancement.
- Access to amenities, such as electric vehicle charging stations, a gym, a daycare center, and an on-site Starbucks.

Arguments for *hybrid* work may include:

- Combination of the positive features of both remote and in-person work.

3. Identify the stakeholder groups that will be impacted by Starbucks' decision to order workers back to headquarters at least three days a week. For each, identify its interests and power, with respect to the new policy. (Note: some stakeholders may have different segments, with varying interests and power.)

Three stakeholder groups discussed in the case will be impacted by Starbucks's decision. The instructor may wish to create a board grid as the discussion proceeds, as follows:

Stakeholder	Interests	Power
Managerial and professional employees affiliated with the headquarters office in Seattle	Mixed, as suggested by answers to the previous question. Some employees had complained that the policy was unfair because the CEO himself was permitted to work at home and come to the office only on an "as needed" basis.	High. These employees can quit or choose not to comply with back-to-the-office orders, causing problems for top management.
Local businesses	In favor. The case shows that local businesses wanted more people in the downtown core to increase patronage of local restaurants, shops, and service providers. The number of daily visitors had declined by more than 60 percent since before the pandemic.	Medium. These organizations may have some influence on corporate policy through local business associations and political bodies such as the city council.
Environmental advocates	Mixed. The case reports that remote work could have both positive and negative environmental effects. On one hand, it could reduce pollution from daily commute and paper and plastic waste generated at the office. On the other hand, it could also increase inefficient home deliveries of food and supplies; reduce the efficiency of heating and cooling; and cause more driving in less densely populated areas. On balance, most environmental groups preferred flexible work arrangements.	Low. Environmental advocates have few levers of influence over corporate policy, other than public pressure and possibly shareholder activism. Because their interests are mixed in this instance, they may not see the issue as salient.

4. If you were in Niccol's position, what work arrangement would you support to best meet the needs of Starbucks' various stakeholders? What steps should management take to most effectively implement this approach?

Starbucks' CEO, Brian Niccol, supported a hybrid work arrangement for managerial and professional employees: three days a week in the Seattle office. Most students are likely to support this approach, seeing it as striking a balance between the fully remote and in-the-office options, capturing some of the benefits of each. To most effectively implement this approach, Starbucks should offer a range of amenities, including subsidizing commute costs for in-office work. Starbucks should offer a range of amenities, including subsidizing commute costs for in-office work. The company should consider requiring the CEO himself to spend at least three days a week in the office (or traveling on business), to remove the perception of a double standard for top managers.

TEACHING TIP:
RELATIONSHIP BETWEEN WORK AT HEADQUARTERS CUSTOMER EXPERIENCE IN THE RETAIL STORES

If time permits, the instructor may wish to raise an additional issue. Nicol blamed the company's problems on a "degraded store experience." An obvious question is: Would getting managerial and professional employees back to the office in Seattle improve the customers' in-store experience? At best, the relationship would be indirect. Some students may argue that more effective managers and professionals at headquarters would trickle down to the culture of the stores. But others may argue that Niccol's policy was misdirected, and that a better approach would be to direct resources, training, and supportive services to the front-line staff in the retail establishments.

EPILOGUE

In July 2025, Niccol doubled down on this approach, distributing a new memo that required headquarters workers in Seattle and Toronto and in North American regional offices to come to the office four days a week. A brief (1:17 minute) news segment describing this policy appeared on CNBC on July 14, 2025, and is available here: https://www.youtube.com/watch?v=QLQcqznNaTE.