

Part 1 – Multiple Choice (14) + Fill in the Blank (9) worth 1 mark each

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

- c 1. 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.
- b 2. Which of the following comprise the "social contract"?
- a. social environment
 - b. Rules of the game and shared understandings
 - c. expectations and performance
 - d. "letter" and "spirit" of the law
- b 3. Pluralism is defined as
- a. the idea of embracing those activities that are expected as probabilities by societal members.
 - b. the diffusion of power among the societies many groups and organizations.
 - c. the process of focusing by which laws get passed and officials get elected and all other aspects of the interaction between the firmly political processes and government.
 - d. the backbone of the socially conscious investing movement.
- a 4. Which of the following is generally NOT TRUE of the relationships among government, business, and the public?
- a. Business influences the public by forming special-interest groups.
 - b. Business influences government through lobbying.
 - c. The public influences government through the political process of voting and electing officials.
 - d. Government uses regulation to influence business.
- b 5. Which of the following is an ethical implication of the rights of private property?
- a. ~~Even~~ distribution of wealth.
 - b. Lack of infringement of copyright rights.
 - c. ~~Membership~~ rights (eg: labour union) are sometimes preferred over individual rights.
 - d. None of the above.
- c 6. All the following are cited as reasons or justifications for government regulation except:
- a. to control negative externalities.
 - b. to control natural monopolies.
 - c. to accelerate privatization.
 - d. to control excess profits.

- d 7. Examples of social regulation includes
- ☒ a. Employment equity regulations.
 - ☒ b. The Competition Bureau.
 - ☐ c. taxes.
 - ☐ d. Canadian Radio and Telecommunications Commission (CRTC)
- c 8. Issues management means:
- ☐ a. That a corporation can create social change.
 - ☒ b. That a corporation can control or manipulate society.
 - ☐ c. Is the process by which the corporation responds to economic, social, and environmental issues.
 - ☒ d. Suggests that corporations cannot manage the issues confronting them.
- a 9. Perhaps the most pragmatic reason for business to be socially responsible is that assuming a social responsibility
- ☐ a. is directly related to financial returns.
 - ☒ b. is the popular thing to do these days.
 - ☐ c. helps to ward off government intervention and regulation.
 - ☒ d. is the path of least resistance.
- a → this is not proven (degree of correlation not proven)*
- c 10. A stakeholder is
- ☒ a. almost always a stockholder also.
 - ☐ b. an individual or group that asserts to have an economic interest in a firm.
 - ☐ c. an individual or group that asserts to have one or more stakes in a firm.
 - ☐ d. always an individual as opposed to a group.
- c 11. Deregulation is generally intended to
- ☐ a. Reduce competition
 - ☐ b. Increase competition
 - ☒ c. Support big business
 - ☒ d. Increase taxes
- c 12. Government instruments typically refer to those means the government has at its disposal to influence the actions of businesses and individuals. Which of the following represents the instrument that LEAST involves government?
- ☒ a. Taxation laws
 - ☐ b. Crown corporations
 - ☐ c. Self regulation
 - ☐ d. Exhortation and symbolic outputs?
- d 13. Which of the following are considered as induced costs of regulation?
- ☐ a. Innovation is affected
 - ☐ b. Small business is adversely affected
 - ☐ c. New investments in plant and equipment are affected
 - ☐ d. All of the above

- a 14. The use of a mission, values statement, and code of conduct or ethics is part of which type of regulation?
- Corporate self-discipline regulation
 - Industry self-regulation
 - Self-regulation involving stakeholders
 - Negotiated self-regulation

Fill in the Blanks (9 questions)

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.

- Government often try to leverage the skills and financial resources of the private sector through partnering with them in these formal structures: Public - Private Partnerships (PPPs)
- 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. Parliamentary system 0.5
- What is generally defined as "...the relationships, networks, and norms that facilitate collective actions"? Social Capital
- 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 is referred to as: Public Policy
- In the partitioning of the broad Canadian economy, manufacturing, construction, utilities and communications are referred to as the Second tier.
- A form of business designed to administer and manage public services where business enterprise and public accountability must be combined. mixed enterprise
- 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 management view.
- That set of two-way understandings that characterizes the relationship between business and society is referred to as the social contract.
- The growth of corporations, the resulting separation of ownership from control, and business firms' recognition of the need for interaction with major constituent groups in order to manage successfully describes the pluralistic view of the firm, but not the stakeholder view of the firm.

Part 2 -- Short Answer questions, totaling 30 marks.

Respond to ALL six (6) questions in the space provided. Marks are as shown per question.

1. Give three strengths and three weaknesses of a pluralistic society. (total of 6 marks)

STRENGTHS	The key feature of a pluralistic society is that it has a relatively even distribution of power. This limits the power of important, wealthy, and vocal groups, thereby limiting their potential to exploit others. It also results in 2) increased power for marginalized groups/individuals, giving a voice to those who would otherwise go unheard/unhelped. Finally, it means that 3) Powerful groups/individuals must answer to others (i.e. they are not entirely independent/self-sufficient).
WEAKNESSES	<ul style="list-style-type: none"> • A pluralistic society results in <u>increased inefficiency</u> (i.e. are 3 autono. → for li + potential exploit) • Members of a pluralistic society have decreased incentive for profit & power, decreasing aggregate motivation and work ethic • The main goal of pluralism, even distribution of power, is unrealistic and so can never actually be achieved (inequality will always exist).

2. Identify the three (3) branches of the Canadian federal government, and state what groups/individuals are included in each of the branches (6 marks in total):

BRANCH	The identified BRANCH includes these other named groups:
Executive	Prime Minister, Various ministries (E.g. Health, Education, Defence, Foreign Affairs, Finance) + Public Service
Legislative	House of Commons & Senate
Judiciary	Supreme court

3. Government regulation is something most industries wish to avoid. Provide a definition of regulation (2 marks):

Generally speaking, regulation is a force (be it ethical, legal, or economic) that helps govern the behaviour of business such that society is better served by business at large. There is a spectrum of said regulation spanning from minimal (market regulation) to maximal (government regulation).

Case: Imperial oil sands plans dealt blow: Kearl project faces delay as Fisheries and Oceans pulls water authorization (total of 27 marks)

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From Monday's Globe and Mail

March 31, 2008 at 3:48 AM EDT

¹⁾
CALGARY — The federal government has revoked a key water permit for **Imperial Oil Ltd.'s** proposed \$8-billion Kearl oil sands mine, delaying work on a major new oil sands development as environmental scrutiny of the massive projects around Fort McMurray intensifies.

²⁾
Imperial, which is majority-owned by **Exxon Mobil Corp.**, has been granted an expedited court hearing, scheduled for early May, on its application to overturn the decision. The company says the lost permit could mean a delay of one or more years, according to an affidavit.

The mine had been scheduled to start producing 100,000 barrels of bitumen a day in 2011. Imperial's board of directors is expected to make a final decision about whether to build the mine by the end of September.

The loss of the water permit stems from a Federal Court of Canada judgment in early March that found approval of the Kearl project by the Alberta and federal governments didn't fully explain why greenhouse gas emissions were not significant. However, that ruling didn't throw out the overall approval.

³⁾
Still, citing the court judgment, the federal Department of Fisheries and Oceans told Imperial in a March 20 letter that the water permit issued Feb. 8 had been rendered invalid. Imperial, the letter stated, "is not authorized to proceed with any works or undertakings that will cause a harmful alteration, disruption or destruction of fish habitat or that destroys fish by any means other than fishing." A Fisheries habitat biologist is set to visit Kearl in the next several days to assess the situation.

Imperial is "very disappointed" by Ottawa's decision, said company spokesman Gordon Wong. "[The water permit] is legally valid and that's the argument we will pursue in court," he said.

⁴⁾
The voided water permit is a victory for non-profit environmental groups, including Alberta's Pembina Institute and the Sierra Club of Canada, who brought the original federal court case against Imperial and Kearl and were fighting the validity of the Fisheries authorization. The setback for Imperial comes as oil sands producers are facing challenges including sharply rising costs, and uncertainty related to new federal emissions legislation and recent environmental moves by U.S. lawmakers.

In granting Imperial's request for a hearing on the matter last week, Federal Court Justice Yves de Montigny rejected Imperial's call to quash the revocation, saying it is of "crucial importance to resolve all the uncertainties, legal and otherwise, before embarking on such an important project."

Imperial, which already has 1,000 workers at the Kearl site 70 kilometres north of Fort McMurray in northeastern Alberta, started initial work for the mine after receiving the Fisheries permit in early February and said the loss of the permit hasn't yet stopped preliminary site preparation.

However, with temperatures now climbing above freezing around Fort McMurray, the Kearl site is about to turn into a water-soaked boreal forest bog - and the important prep work of "de-watering" the proposed mining territory, set for this summer, cannot happen without the permit.

The proposed mine, which was scrutinized during 16 days of public hearings in late 2006, is viewed by the green groups as a flashpoint in the frenetic development of the oil sands and as an opportunity to challenge Exxon Mobil, considered by activists as the world's least environmentally friendly oil company and a long-time denier of global warming. The groups say that the project will mine an area of undisturbed boreal forest larger than 20,000 football fields.

4. Why does government see a need to regulate? Identify FOUR key arguments (use point form) in support of regulation (8 marks)?

- 4
- 1) When a business/industry has been instructed to self-regulate and is not doing so adequately (eg in terms of pollution/emission control)
 - 2) When novelty of technology results in products/methods that have no precedence and therefore no existing control mechanisms (eg the emergence of nicotine vapourisers as an alternative to cigarettes).
 - 3) When a corporation/industry is engaging in unethical but not explicitly illegal activity (eg price gouging)
 - 4) To decrease the concentration of power (e.g. to prevent the formation of monopolies).

5. What might be FOUR major benefits to a company if it were to locate its operations in a community or city where a high level of social capital exists (4 marks)?

- 5
- 1) Increased facility of flow of information between groups/individuals (better willingness to share info)
 - 2) Groups/individuals exert their respective power/authority to assist each other. (increased willingness)
 - 3) Increased group cohesiveness/adherence to norms and
 - 4) The increased efficiency that results from this.

6. How does business differ from government in terms of their beliefs? Provide 2 specific points about government beliefs and 2 specific points about business beliefs (4 marks).

3

Government:

- 1) Primary purpose - to represent and thus protect a nation's people.
- 2) Problems/issues faced - often complex & not necessarily solvable, as well as qualitative and thus difficult to measure progress in solving (eg better education, decreased social inequality, increased aggregate happiness).

Business:

- 1) Primary purpose - maximization of profit for benefit of shareholders. (either directly or indirectly)
- 2) Problems/issues faced: all relate to single objective of profit maximization (which corporation is legally obliged to adhere to), most often discrete (i.e. quantifiable) and therefore possible to measure assess performance

19.5

While initial work at Kearl has begun, the biggest factor as Imperial's board weighs going forward with the project is the escalating cost of development.

For investors, the court fight over Kearl is unlikely to heighten concerns about environmental exposure, said Len Racioppo, president of money manager Jarislowsky Fraser Ltd., one of the Imperial's largest shareholders.

"We all know there's a very significant environmental risk in the oil sands - we've always known that," Mr. Racioppo said. "The court case isn't going to start a round of discussions among our analysts whether we should own or not own Imperial."

Imperial stock, buoyed by record oil prices, is near an all-time high - the shares have risen about 240 per cent in the past five years, compared with a gain of about 110 per cent for the S&P/TSX composite index.

Sean Nixon, a lawyer at Ecojustice who took on Kearl in court for the environmental groups, said Fisheries made the right decision to pull the water permit while the overall approval for the project is in limbo.

"It's always been our opinion that once you've shown a flaw in the environmental assessment, everything else that flows from that is flawed," Mr. Nixon said.

Question 1: Provide your opinion as to what approach you believe Imperial Oil has generally followed in their management of stakeholder relations that has brought them to this point. (4 marks)

3
Imperial Oil neglected to take into ~~the~~ account the environment & all those who have a stake in I.O.'s relationship with the environment. Rather than consult & work with these groups, I.O. has ignored them and is now suffering the extent of their antagonistic capabilities. They continue to do this, attempting to solve their problems with their lawyers, worsening their public image & decreasing their ultimate chances of success.

↳ decreasing public support.

Question 2 (3 + 20 marks): The Board of Imperial Oil has engaged you, as an authority in the field, to help them better understand what they should do to address this issue. As a first step, they have asked you to identify all the key stakeholders involved in their current issue, and to identify the salience of each stakeholder.

Identify at least 5 key stakeholders or stakeholder types (where they are very similar, use a category rather than each specific named stakeholder) and provide your view on their salience (please provide the specific terms captured as "salience"): 3 marks for writing down the proper SALIENCE terms + max. of 4 marks for each stakeholder + salience.

KEY STAKEHOLDER GROUP	Salience term 1: Urgency	Salience term 2: Legitimacy	Salience term 3: Power
Exxon-Mobil: - parent company of Imperial Oil	Very high. Issue Represents key investment as well as case w/ landmark precedence	Very low. Seen as "world's least environmentally friendly oil company".	Extremely high. One of the world's largest corporations extreme financial + political clout
Federal Government	Moderate. They will dictate outcome. Urgency depends on degree of external pressure	High (I hope). I assume that we believe that government represents the will of the people.	Extremely high. Will ultimately determine outcome of issue.
Department of Fisheries & Oceans [this department is mandated to protect.]	High. This kind of economic development is exploring the what this department mandated to protect.	High - more moderate view than environmental groups. Part of publicly elected government.	Moderate - High. Will probably have significant influence on Govt's final decision.
Non-profit environmental groups (Pembina Institute & Sierra Club)	Very high. This is a landmark case & could set precedence.	Moderate. Seen as champions of environmentalism as some economic hindrances to others.	Low. Do not represent view of majority (but) rather extreme left, very limited financial backing.
Sarislowsky Fraser Ltd.	Very high. → Key investment → will determine outcome of similar future situations.	Low. More removed from situation, so seen as less evil but only to a degree.	Moderate. Majority shareholder in Imperial Oil, so Imperial Oil must act in the interests of J.F. Ltd.