

**ADM1301 Sections M, N, P -- Social Context of Business
Winter 2009
Deferred Mid-Term Examination Grading Scheme
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Student Name: _____ **I.D. No.** _____

Instructions

1. This examination consists of three parts and is nine (9) pages.
2. Time limit is 85 minutes and the exam is scored out of a total of 56 points.
3. No notes, texts, dictionaries, electronic items of any type are permitted.
4. Carefully follow the instructions appearing at the beginning of each part.
5. **You must sign the academic attestation appearing below.**
6. You must hand in this exam paper containing ALL your responses.

Academic Integrity :

Integrity is a basic value of our society and of the business world. Academic integrity is also a key value of the School of Management. To underline its importance, all assignment, report, project, or other work submitted in partial fulfillment of the requirements of a course at the School of Management must include on its front page the following signed statement (signed by each member of a team in the case of a group assignment or team work):

Statement of Academic Integrity:

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

Signature: _____

For more information on what constitutes a breach of academic integrity, please consult the following web sites: http://www.uottawa.ca/academic/info/regist/crs/home_5_ENG.htm and <http://www.uottawa.ca/plagiarism.df>

Please note that any submission in a course (homework, assignment, report, etc) that does not include that signed statement will not be corrected and will get a grade of zero.

Part 1 – Multiple Choice (22 Marks)

Select the most appropriate answer to each of the following question and indicate your choice directly on this question paper.

_____ 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.

_____ 2. Pluralism is defined as

- a. the idea of embracing those activities that are expected are 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.

_____ 3. The government, consumers, and community members belong to which stakeholder group of a business:

- a. external
- b. internal
- c. manager
- d. None of the above

_____ 4. The arguments "Let business try" and "Business has the resources" are a part of

- a. why business should not assume social responsibility.
- b. why business should assume social responsibility.
- c. the classical economic model.
- d. the relationship between corporate social responsibility and financial position.

_____ 5. Which of the following is a restatement of the challenges of stakeholder management?

- a. to achieve the objectives of the primary stakeholders within the context of satisfying other stakeholders.

- b. a zero-sum game
- c. to achieve a change in the attitude of stakeholders by bringing their desires and expectations more in line with what is most profitable for the company
- d. to try to win over stakeholder support from competing firms.

- _____ 6. Which of the following is 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.

- _____ 7. Which of the following is cited as an argument against industrial policy?
- a. the use of industrial policy by other world governments like Japan, France, and Italy
 - b. Canada already has an "unofficial" industrial policy
 - c. the declining competitiveness of Canada in world markets
 - d. foreign industrial policy successes have been overrated

- _____ 8. All the following were cited in the text 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.

- _____ 9. Examples of social regulation includes
- a. Employment equity regulations.
 - b. The Competition Bureau.
 - c. taxes.
 - d. tariffs.

- _____ 10. 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

- _____ 11. Which of the following is most frequently used by companies to encourage employee volunteerism?
- a. publicity about community volunteer opportunities
 - b. board membership
 - c. company-sponsored projects involving multiple volunteers
 - d. recognition through articles, awards, and commendations

- ___ 12. In studies of foreign-owned companies doing business in Canada, a major motivation for community involvement was found to be
- pressure received from their home countries.
 - a desire to improve relations between their home countries and the U.S.
 - a moral obligation to be involved.
 - None of the above.
- ___ 13. Community improvement activities, environment and ecology, and neighborhood renewal are elements of which category of corporate philanthropy?
- civic activities
 - health and welfare
 - Education
 - culture and arts
- ___ 14. Strategic philanthropy
- is the idea that business should apply its management knowledge to aligning its economic and social thrusts.
 - implies purely altruistic corporate giving.
 - was discovered in the mid-1980s.
 - ignores the firm's goal of profitability.
- ___ 15. Cause-related marketing
- is enacted in the same way as is strategic philanthropy.
 - is marketed only toward art and culture.
 - benefits such organizations as MADD and Live Aid.
 - have no critics.
- ___ 16. Which of the following comprise the social contract?
- social environment
 - Rules of the game and shared understandings
 - expectations and performance
 - "letter" and "spirit" of the law
- ___ 17. Ms. James has the power to fire Bob, her employee, if she feels that Bob is not performing his job adequately. Ms. James's power is in which of the following spheres?
- technological
 - environmental
 - political
 - individual

- ___ 18. The revolution of rising expectations, the entitlement mentality, and factors have contributed somewhat to what might be termed as:
- Rights movement.**
 - Ethics management.
 - "Iron Law of Responsibility".
 - Political power.
- ___ 19. Which type of responsibility embraces those activities and practices that are expected or prohibited by societal members even though they are not codified into law?
- ethical responsibilities**
 - managerial responsibilities
 - legal responsibilities
 - economic responsibilities
- ___ 20. Which of the following is an example of *proactive* behavior?
- A company obeys laws that have been passed prohibiting racial discrimination.
 - A company anticipates the need for a day-care center for its employees' children and opens one near the workplace.**
 - A company sees that its competitors are contributing to a charitable cause and decides that its image will be helped if it contributes also.
 - After incidents of passing damaged merchandise on to consumers, a company formulates a sturdier packaging for its product.
- ___ 21. The collectivistic ethic subordination of individual goals and self-interest to group goals and group interests, maximizing the obligations assumed by the individual and discouraging self-interest refers to
- business beliefs.
 - government beliefs.**
 - ethical beliefs.
 - individualistic beliefs.
- ___ 22. Which of the following refers to advocating growth-oriented macroeconomic policies that would come close to comprehensive planning?
- Accelerationists
 - Adjusters
 - Targeters
 - Central planners**

Part 2 – Fill In the Blank (8 Marks)

Fill in the blanks by inserting the most appropriate word in the space provided below directly on this question paper. There is only one word per blank.

1. Directors who serve on corporate boards have _____ duties that include, among other things, equal consideration to all shareholders, declaration of conflict of interest, and to act in the best interests of the company. (FIDUCIARY)
2. The direct linking of a business's product or service to a specified charity is referred to as _____ marketing. (CAUSE-RELATED)
3. When a company donates a large quantity of product to an undeveloped country, this exemplifies _____ philanthropy. (GLOBAL)
4. 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 _____ view. (SHAREHOLDER)
5. A gap between society's expectations of social conditions and the present social realities describes a _____ problem. (SOCIAL)
6. That set of two-way understandings that characterizes the relationship between business and society is referred to as the _____. (SOCIAL CONTRACT)
7. *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 _____ view of the firm, but not the stakeholder view of the firm. (MANAGERIAL)
8. A condition in which there is diffusion of power among society's many groups and organizations is called _____. (PLURALISM)

Part 3 – Written Answer Questions (35 marks in total). Respond to all question in the space provided.

(a) What is meant by social capital (2 marks)?

Social Capital can be thought of as relationships, networks, norms, trust, reciprocity and other related forms of social connection that facilitate collective action.

(b) Differentiate between social capital and human capital (6 marks – marks awarded for the concise description of both types of capital, and how they are different).

Full marks awarded for a response that differentiates between human and social capital that draws from the table below (taken from the text book). – 3 marks for the characteristics of human capital and 3 marks for the characteristics of social capital. Part-marks are permitted, marker’s discretion.

Human Capital Social Capital		
Focus individual Relationships		
Measures qualifications Attitudes/values		
Outcomes Income, civic activity Social cohesion		
Model linear Non-linear		

- (c) What might be FIVE 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 (5 marks)?

One mark for each of the following benefits to a company:

- Schools work better
- Kids are better off
- Violent crime is rarer
- People are less quarrelsome
- Health is better

- (d) 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).

Part 1 (4 marks – looking for two points for business beliefs and 2 points for government beliefs from those given below.)

Business and government differences have been described as a clash of ethical systems.

Business Beliefs:

- Maximizes concession to self-interest
- Minimizes obligations society imposes on the individual (personal freedom)
- Emphasizes the inequality of individuals

Government Beliefs:

- Subordinate individual goals and self-interest to group goals and group interest
- Maximized obligations assumed by the individual and discourage self-interest
- Emphasize equality of individuals

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

Regulation refers to the act of governing, directing according to rule, or bringing under the control of law or constituted authority OR

Regulation is the imposition of constraints, backed by the authority of a government, that are intended to modify economic behaviour in the private sector significantly. (1 mark)

- (f) Why does government see a need to regulate? Identify FOUR key arguments in support of regulation (8 marks)?

Government presents four key arguments in support of regulation (2 marks each):

1. controlling natural monopolies -- those situations where the economies of scale are so great that the largest firm has the lowest costs and thus is able to drive out competitors
2. controlling negative externalities (or spillover effects) – such as air pollution, water pollution, improper disposal of toxic wastes
3. to achieve social goals – things the government deems to be in the public interest – information, preservation of national security, protecting national culture
4. to control excess profits and excessive competition

- (g) Identify and fully describe the three key requirements to develop a world class knowledge based economy (6 marks).

- Infrastructure investment such as transportation (roads and bridges, railways, highways, etc.), telecommunications, (2 Marks)
- Investment in research facilities, university laboratories, and human capital (training and apprenticeship) (2 Marks)
- An education system and institutional framework that facilitates the ongoing transition from work to learning and learning to work (2 Marks)

These 3 are the key requirements that are identified in the notes. They must be stated in at least the same amount of detail as above for full marks.