

**ADM1301B**

**Fall 2011**

**Quiz 1 – GRADING GUIDE**


For markers only

Your gross score: **100** / 100

Quiz 1 weight : x 15%

Your mark toward the final grade: **15**

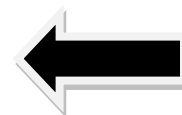
**INSTRUCTIONS:**

1. This quiz counts for 15% of the course final grade.
2. There are 3 parts. You **must complete all questions** in Part 1 and Part 3. You have choices in Part 2.
3. Answer **directly on this questionnaire in the space provided. Remember back-to-back printing.**
4. Time Limit: 1 hour 20 minutes
5. You must sign the Statement of Academic Integrity below
6. It is recommended that you read through the entire quiz completely before beginning to answer.
7. Be mindful of the time and allocate it appropriately. You may leave before the allotted time if you feel you have completed this quiz.
8. Write legibly in ink. Poor writing may result in all or part of your quiz not being corrected.
9. Write your name and student number on every sheet (in case your report becomes unstapled during handling/marking). One point will be deducted for failure to do so. Refer to  top of the page.

**MUST BE CLEARLY INDICATED. MUST BE LEGIBLE.**

\_\_\_\_\_  
Student Name

\_\_\_\_\_  
Student Number



To underline the importance of **academic integrity**, all submissions in partial fulfillment of the requirements of a course at the Telfer School of Management must include the following signed statement:

***Statement of Academic Integrity***

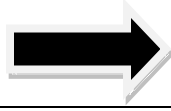
**This work conforms to the rules on academic integrity of the University of Ottawa.**

Signature: \_\_\_\_\_ **SIGNATURE** \_\_\_\_\_ Print Name: \_\_\_\_\_ **NAME** \_\_\_\_\_

**A submission without a signed statement will not be corrected and will receive an automatic grade of zero.**

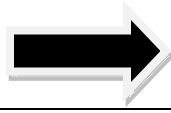
**PART 1 - True or false statements. Multiple choice questions. Complete the sentences. Write your answers clearly on this questionnaire. 40 points in total; 2 points for each correct answer. A bonus question at the end.**

1. Adam Smith argued for a system of capitalism based on the “invisible hand” operating in the market. That system would also see a significant regulatory role for government.
  - a. True \_\_\_\_\_
  - b. **False** \_\_\_\_\_
  
2. A partnership may involve two or more than two individuals sharing the ownership of a business.
  - a. **True** \_\_\_\_\_
  - b. False \_\_\_\_\_
  
3. The board of directors is responsible for the corporation’s public relations function.
  - a. True \_\_\_\_\_
  - b. **False** \_\_\_\_\_
  
4. Jane is starting a business to sell handmade greeting cards online. She is planning to assume all the risks and accept all the rewards of business ownership with her mother. Jane is forming a(n) **PARTNERSHIP** .
  - a. **Partnership**
  - b. Proprietorship
  - c. Corporation
  - d. Incorporation
  - e. Virtual entrepreneurship
  - f. None of the above answers
  
5. Which of the following statements regarding competition, as a fundamental element of capitalism, is not true? [Circle the answer]
  - a. **Competition is messy and prevents the orderly operation of the market.**
  - b. The fittest firms tend to survive.
  - c. Competition ensures that that goods and services are provided at the lowest price.
  - d. Competition holds profits to a minimum
  - e. There is no guarantee that a profit is made in capitalism.
  
6. Non-Governed Organizations (NGOs) are just that: not governed by, nor dependent on the government and run by the volunteer sector. Charities are an example of NGOs.
  - a. True \_\_\_\_\_
  - b. **False** \_\_\_\_\_



7. In class the other day, a debate broke out as to which capitalist system Canada should employ. Jamal argued for a **FREE ENTERPRISE** model whereby economic decision making is left to those individuals or enterprises who own the means of production. "A profit motivation, with limited government involvement, would create a competitive market system" said Jamal. Crystal agreed, but added that accountability to society by business was also important and therefore a **STAKEHOLDER CAPITALISM** was better.
- Free enterprise, responsible enterprise (could also be acceptable)
  - Free enterprise, stakeholder capitalism**
  - Laissez-faire capitalism, stakeholder capitalism
  - Sustainable, stakeholder model
  - State capitalism, responsible enterprise
8. It is the responsibility of the board of directors, not the manager, to determine how to respond to stakeholders' power and pressures.
- True \_\_\_\_\_
  - False** \_\_\_\_\_
9. ABC Corporation is negotiating with aboriginal groups regarding forestry practices in their region and the government is facilitating the process. Influence and power, in this case, is not held by any one institution and is dispersed. This example reflects the operation of a **PLURALISTIC** society.
- Stakeholder
  - Pluralistic**
  - Business partnership
  - Solidarity
  - Collective
10. Kenneth Wong is a shareholder in VNO Corporation and regularly attends annual shareholder meetings voting on policies that he feels are particularly relevant to the firm's social responsibilities. Kenneth is **A DIRECT OWNER**.
- A direct owner**
  - A social activist
  - Sitting on the board of directors of VNO Corporation
  - An active stakeholder
  - Managing the corporate strategic direction.
11. Using Nutt and Backoff's model, Nancy identifies that a particular NGO is a problematic stakeholder. This implies that the NGO opposes a particular course of action proposed by Nancy's company and should therefore be considered not important as a stakeholder.
- True** \_\_\_\_\_
  - False \_\_\_\_\_

12. In Mitchell, Agle and Wood's theory of stakeholder identification and salience, a group or an individual possessing at least one attribute proposed by the model is definitely a stakeholder. Expectant stakeholders possess two attributes and are more salient.
- True** \_\_\_\_\_
  - False \_\_\_\_\_
13. Social capital is created when the relationship between stakeholders and an organization produces increased understanding, cooperation, and coordination.
- True** \_\_\_\_\_
  - False \_\_\_\_\_
14. Frank is determined to start an Internet development company. A family friend had entered the business many years ago and has become quite wealthy. His income, however, leveled off after a few years because excessive **PROFITS** attracted others to the industry, increasing **COMPETITION**.
- Competition, profits
  - Profits, competition**
  - Demand, costs
  - Greed, stakeholders' hostility
  - Entrepreneurial talent, satisfied consumers
  - None of the above
15. The OneJoke Telecommunication Corporation announced that it has no plans to change its policy regarding the free download once a day of erotic humour to cellular phones. Religious groups are opposed to this policy. These groups are considered, by the company, not to be important stakeholders. These groups are also likely to form coalitions to gain further power. These religious groups are **PROBLEMATIC** stakeholders and a(n) **DEFENSIVE** strategy is appropriate.
- Antagonistic, avoidance
  - Problematic, defensive**
  - Antagonistic, defensive
  - Problematic, avoidance
  - None of the proposed answers.
16. Credit Union Central of New Brunswick provides financial services to its customers, who are owner-members. This credit union is a franchise form of ownership.
- True \_\_\_\_\_
  - False** \_\_\_\_\_
17. The individualism view of capitalism assumes that individuals are inherently self-serving, but neither decent nor rational.
- True \_\_\_\_\_
  - False** \_\_\_\_\_



18. In which of the following industries is it particularly important for corporations to be involved in stakeholder management? [Circle the answer.]
- a. Oil and Gas industry
  - b. Pharmaceutical industry
  - c. Automotive industry
  - d. Child care services industry
  - e. All of the above answers
19. Management consultants are not stakeholders for a corporation because they are not employees of the company.
- a. True \_\_\_\_\_
  - b. False \_\_\_\_\_
20. The Legislative Branch of the Canadian federal government includes the Prime Minister, the Cabinet and the public service
- a. True \_\_\_\_\_
  - b. False \_\_\_\_\_
21. **Bonus for 2 points** – [Circle the answer.] The labour market participation rate is a statistical indicator that measures:
- a. The proportion of women in the labour force in Canada
  - b. The total labour force as a proportion of the working age general population in Canada
  - c. The proportion of working age students not yet in the labour force in Canada
  - d. The proportion of Canadian resident workers in the labour force
  - e. None of the above answers.

**Part 2 – Development questions and analysis. Short answers. 45 points in total for this Part.**

**You select 3 questions to answer among Questions 1 to 5 that follow. Respond to the 3 questions you select (including the sub-questions) in the space provided below. 15 points for each question.**

1. a) Identify the 3 key players in corporate governance  
(1) OWNERS or SHAREHOLDERS, (2) BOARD OF DIRECTORS, (3) MANAGERS or EXECUTIVE TEAM

Grading:

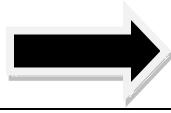
- 6 points in total: 2 points for each correct identification.

b) Describe in a few words their singular roles, their responsibilities and their relationships.

1. **Shareholders:** They are the de-facto owners of the corporation. They are largely interested in return on investment. [Their expectations may put pressure on the board of directors and managers. Usually in large corporations, outside of annual shareholders' meetings, there is an arm's length relationship, a distance, between shareholders and the board and managers regarding the conduct of the business.]
2. **Board of Directors:** group of individuals elected by shareholders to govern or oversee the corporation's affairs. They are mainly responsible for corporate governance, strategic direction and corporate performance monitoring. They have a fiduciary responsibility and a duty to care in exercising their board responsibilities. They are ultimately accountable to the shareholders and other stakeholders.
3. **Managers** are the corporation's senior employees who oversee daily operations. Their performance is overseen by the board of directors.

Grading:

- 9 points in total. 3 points for each adequate definition that conveys the concepts underlined above. Scale down from 2 to 0 for partial answer in each definition.



2. Why does business need society and society need business?

Looking for a reasonably well-developed argumentation that identifies business as a segment, as part of overall society, the other two segments being government and civil society.

Business operates largely in the economic sphere by providing the goods and services that consumers buy. The profit motive drives business in the exchange. Economic exchange is a social activity. Business is a social institution that contributes to economic wealth creation and social prosperity.

Also looking for interactions between business and government and between business and civil society. This is a two-way interaction. For instance, business needs consumers, employees, professional expertise, suppliers, capital, etc. These are found in other businesses, in civil society and at times in government. Business provides employment opportunities, incomes for workers and their families, supports the arts, culture, etc. Business interacts with many stakeholders. These interactions reinforce each other in their respective missions and create social capital. With respect to government and business interactions, businesses pay taxes that are redistributed by government to support public goods. Business is subject to laws and regulation. Business influences and is influenced by government. It contributes directly and indirectly to the general welfare of society.

Grading:

- 15 points in total. You are the judge. It is important to identify other components of society and to argue or give examples of possible inter-sectoral interactions. The key is to make convincing arguments about the importance and the role of business in society.
  - An excellent short essay will address the other components of society and describe or give examples of 3-4 types of interactions. It is worth 15 points.
  - A good essay (some partial, incomplete analysis) is worth 10-12 points.
  - Scale down from there.

3. a) What are the roles of the House of Commons and the Senate in the Canadian federation?

REVIEW AND APPROVE PROPOSED LEGISLATION + HOLD GOVERNMENT (EXECUTIVE BRANCH THROUGH MINISTERS AND THE PM IN THE HOUSE OF COMMONS) TO ACCOUNT

Grading:

- 3 points in total. 3 points for identifying the 2 elements underlined. 1 point for identifying only one element. 0 point otherwise. Equivalent words are acceptable as long as the proper meaning is conveyed.

b) What are the similarities of those two chambers?

THEY BOTH DEBATE AND REVIEW PROPOSED LEGISLATION. VOTE FOR APPROVAL. SIMILAR THREE STAGE PROCESS FOR IN-DEPTH REVIEW (FIRST, SECOND AND THIRD READING) OF LEGISLATIVE PROPOSALS.

Grading:

- 3 points in total. 3 points for identifying the 3 elements underlined. 2 points for identifying 2 elements. 1 point for identifying only one element. 0 point otherwise. Equivalent words are acceptable as long as the proper meaning is conveyed.

c) Identify at least 3 distinctive features of those two chambers.

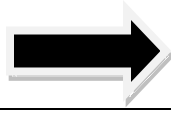
1. MEMBERS IN THE HOUSE OF COMMONS (MPs) ARE ELECTED BY CANADIANS VOTERS . SENATORS ARE APPOINTED BY THE PM
2. MPs HAVE TO SEEK RE-ELECTION TO CONTINUE TO HOLD THEIR SEAT IN THE HOUSE OF COMMONS. SENATORS ARE APPOINTED UNTIL THEY REACH THE AGE OF 75. [RECENT APPOINTMENTS HAVE HAD A FIXED LIMIT OF 8 YEARS AS PART OF ATTEMPTS TO REFORM THE SENATE)
3. SIZE OF THE TWO CHAMBERS IS DIFFERENT: 308 MPs, 105 SENATORS
4. HOUSE OF COMMONS REFLECTS THE POPULATION DISTRIBUTION OF CANADA (SEATS CONCENTRATED IN ONTARIO AND QUEBEC); MORE REGIONAL EQUALITY/BALANCE IN THE DISTRIBUTION OF SENATE SEATS
5. POPULATION MY PERCEIVE THE HOUSE OF COMMONS AS MORE LEGITIMATE TODAY (AT LEAST MORE ACCOUNTABLE AND IN LINE WITH DEMECRATIC PRINCIPLES) BECAUSE IT IS ELECTED AND ULTIMATELY ACCOUNTABLE TO THE ELECTORATE.

Grading:

- 9 points in total. 3 points for each feature properly identified and conveyed. The above are the main features. Consult with Professor Martel if other features are presented and you are not sure whether they are pertinent.

4. Celine Dion is a Canadian, world-class singer. Write at least seven (7) short statements that relate Celine Dion to the social context of business.

- ✓ Celine Dion is a business undertaking.
- ✓ Her brand name is recognised.
- ✓ As a business, Celine Dion generates revenues, incurs expenses.
- ✓ As a business, Celine Dion has to undertake promotional and marketing activities.
- ✓ As a business, Celine Dion has to perform the usual management functions of planning, organizing, directing and controlling.
- ✓ Her artistic performances and activities have an effect on government and on civil society:



Examples include but are not limited to: paying taxes, employing individuals directly and indirectly, respecting and obeying applicable laws and regulation, fulfilling her contractual obligations with a number of stakeholders, sponsors and concert-goers.

- ✓ Celine Dion lends her name to and supports charitable causes (Children's hospital in Montreal, Cystic Fibrosis Society)

There may be others. Refer to pages 30-32 of Module 1 slides on Doc-Depot.

Grading:

- 15 points in total. 15 points if 7 appropriate statements are made. Otherwise, allow 2 points for each appropriate statement. You may have to use your judgment or discretion in accepting statements other than those identified above.

5. a) Identify at least 4 broad forms of business ownership prevalent in Canada  
(1) SOLE PROPRIETORSHIP, (2) PARTNERSHIP (general and limited), (3) CORPORATION  
(under federal or provincial laws – private or public), (4) COOPERATIVE, (5) FRANCHISE.

4 out of the 5 underlined words are the only ones acceptable.

The terms in parentheses are qualifiers or possible variations of the major form of business ownership. For instance, if someone wrote general partnership and limited partnership, then only partnership counts once.

Grading:

- 5 points for 4 correct answers. 3 points for only 3 forms identified; 2 points for 2 forms identified; 1 point for 1 form identified; 0 point otherwise.

- b) Describe in a few words the main characteristics of each form you identified in 1. a)  
Sole proprietorship: a form of business organization available to any individual who is legally able to enter into a binding contract. Falls under provincial and municipal law. Filing a name declaration is not required if the business is operated under a person's name. Owned and operated by one person.

Partnership: an arrangement whereby two or more persons combine some or all their resources in a business undertaking with a view to sharing profits among partners. Provincial laws require that a partnership must legally register its name and give information about the partners. General and limited partnership arrangements are possible. In a general partnership, each member can bind the partnership without the consent of the other partners. In a limited partnership, a partner's liability is generally limited to the amount of cash contributed by that partner to the partnership.

Corporation: recognised as a separate legal entity under the law. A corporation can be incorporated under federal or provincial law. Private and public corporations are possible. In a private corporation, the right to transfer shares and the number of shareholders are restricted. Also, a private corporation cannot sell shares or debentures to the public. In a public corporation, those restrictions are not present, but strict regulations regarding financial reports, audits and public disclosure exist.

Co-operative: an organization that emphasises working together as a way of building community involvement by supplying needed goods and services at a lower cost to the co-op members.

Franchise: a business established or operated (locally) to sell or distribute a company's goods and services in a particular area.

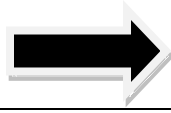
Grading:

- Accept only the forms already identified in 5a)
- Each form defined in an answer must convey at least the general sense of the words in blue italic with dotted underlining.
- 8 points for 4 good definitions; 6 points for 3 correct definitions; 4 points for 2 correct definitions; 2 points for 1 correct definition; 0 point otherwise.

c) What form of ownership dominates the Canadian economy in terms of value added to the GDP?

**CORPORATIONS**

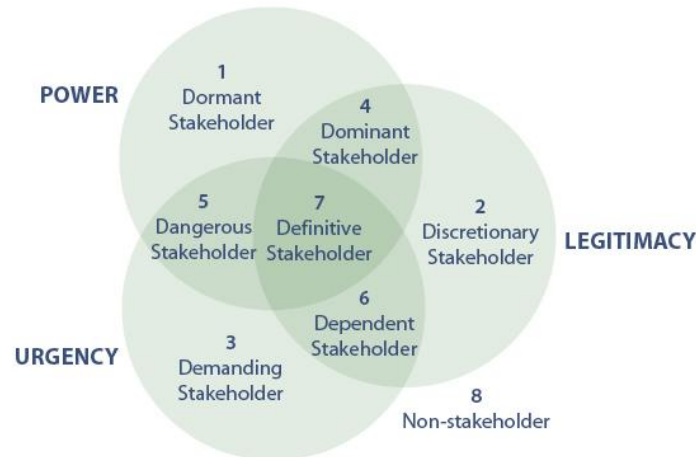
Grading: 2 points for a correct answer. 0 otherwise.



**Part 3 – Answer this three-part question in the space provided. Be brief and precise. 15 points.**

1. Refer to Mitchell, Agle and Wood’s stakeholder identification and salience model reproduced below:

**Figure 4.4** STAKEHOLDER TYPOLOGY: ONE, TWO, OR THREE ATTRIBUTES PRESENT



Source: Ronald K. Mitchell, Bradley R. Agle, and Donna J. Wood, “Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts,” *Academy of Management Review*, Vol. 22, No. 4 (1997): 874. This work is protected by copyright and it is being used with the permission of Access Copyright. Any alteration of its content or further copying in any form whatsoever is strictly prohibited.

- a) Describe what is meant by the attributes of “power”, legitimacy” and “urgency”.

**Legitimacy** is the perceived validity of the stakeholder’s claim to a stake.

**Power** is the ability of a stakeholder to produce an effect.

**Urgency** is the degree a stakeholder’s claim demands immediate attention.

Grading: 6 points in total. 6 points for proper definition of all 3 terms; 4 points for 2 proper definitions; 2 points for a single definition. Accept the above words or equivalent words as long as the concept is conveyed adequately.

- b) According to this model, any party possessing at least one of the attributes in part a) above is a stakeholder.

- i. **True** \_\_\_\_\_  
ii. **False** \_\_\_\_\_

Grading: 1 point for a correct answer.

- c) A stakeholder possessing only one attribute is referred to as a dormant stakeholder
- i. True \_\_\_\_\_
  - ii. **False** \_\_\_\_\_

Grading: 1 point for a correct answer.

- d) A stakeholder possessing two attributes is referred to as a dangerous stakeholder
- i. True \_\_\_\_\_
  - ii. **False** \_\_\_\_\_

Grading: 1 point for a correct answer.

- e) A stakeholder possessing all three attributes is referred to as a dominant stakeholder
- i. True \_\_\_\_\_
  - ii. **False** \_\_\_\_\_

Grading: 1 point for a correct answer.

- f) Using Ford Motors Corporation as an example, identify three stakeholders that you would expect to find with all three attributes and indicate how you support your position.

Looking for any three stakeholders (examples: unionised employees, investors, creditors, government environmental agencies, customers, etc. – there may be others) who are legitimately positioned as being legitimate, powerful and having a claim that would demand immediate action.

Grading: 5 points in total. Listing without an explanation is worth only two marks of a possible five – three additional marks are awarded for the substantiation of why/how each proposed stakeholder meets the three criteria. Reasoned and reasonable argumentation is required. You are the judge of whether the answer makes reasonable sense.