

CHAPTER 4: THREE SPECIAL STAKEHOLDERS: SOCIETY, THE ENVIRONMENT & GOVERNMENT (ANSWER KEY)

The University of St. Francis

PHIL 330 – JUST ETHICS, CHAPTER 4

*Good business leaders know that a commitment to sustainability and corporate social responsibility (CSR) requires a strong foundation, one upon which a company can build and expand its commitment to every aspect of the organization.¹ Companies that truly intend to incorporate CSR into their long-term strategy start by soliciting input from a large and diverse group of stakeholders, followed by a transparent process of implementation, commitment, and enforcement. Corporate social responsibility is more than just another policy; it's a philosophy, capturing the essence of **nemawashi**, or "building strong roots". CSR also demonstrates that a company is willing to commit the financial and human resources necessary to make it a reality, rather than just a talking point.*

1. Social responsibility does not have to mean being unprofitable.
 - a. **True**
 - b. False
2. The concept of limited liability means the owners of corporations are protected by laws stating that, in most circumstances, their losses in case of business failure cannot exceed the amount they paid for their shares of ownership.
 - a. **True**
 - b. False

3. Which of the following is NOT true?
- a. ***Maximizing shareholder profits is a legitimate goal of management.***
 - b. Maximizing shareholder profits is a legitimate goal of management.
 - c. Dividends are paid out of corporate profits.
 - d. Companies that pursue CSR policies can also be profitable.
4. Industries like to be in control of their own destiny and as a result prefer self-regulation to laws imposed by governments. Self-regulation is often _____.
- a. ***Less Costly for Firms than Government Regulation***
 - b. In Conflict with Common Law
 - c. Enforced by the Courts
 - d. Based on External Codes of Conduct
5. The relationship between a trustee of an estate and its beneficiary or between a fund manager and client are examples of relationships that include what responsibility?
- a. ***Fiduciary Duty***
 - b. Duty of Public Communication
 - c. External Codes of Conduct
 - d. Common Law Conflict
6. Cisco Systems, which ranks seventh on the Global 100 list, works to reduce the amount of carbon dioxide and other carbon compounds released by the consumption of fossil fuel. By doing this, the company is working on improving its _____.
- a. Sustainability
 - b. ***Carbon Footprint***
 - c. Energy Efficiency
 - d. Environmental Responsibilities

7. Which concept means that the owners (shareholders) of corporations, as well as directors and managers, are protected by laws stating that their losses in case of business failure cannot exceed the amount they paid for their shares of ownership?
- a. **Limited Liability**
 - b. General Partnership
 - c. Limited Partnership
 - d. Sole Proprietorship
8. Which court decision rules that corporate and nonprofit business entities may seek to persuade the voting public by spending an unlimited amount of money on political advertisements?
- a. U. Jurisprudence
 - b. Sarbanes-Oxley
 - c. **Citizens United**
 - d. Corporate Personhood
9. A tradeoff for a benefit, such as a business advantage, is called _____.
- a. Corporate Status
 - b. Amortization
 - c. **Quid Pro Quo**
 - d. Unlimited Liability
10. Which of the following is *not* a stakeholder in a corporation?
- a. Customer
 - b. Shareholder
 - c. Employee
 - d. **Goodwill**

KEY TERMS

Business Judgment Rule	The principle that officers, directors, and managers of a corporation are not liable for losses incurred when the evidence demonstrates that decisions were reasonable and made in good faith.
Cap and Trade	A system that limits greenhouse gas emissions by companies while allowing them to buy and sell pollution allowances.
Carbon Footprint	The amount of carbon dioxide and other carbon compounds released by the consumption of fossil fuels.
Carbon Tax	A pay-to-pollute system in which those who discharge carbon into the air pay a fee or tax.
<i>Citizens United</i>	A 2010 Supreme Court ruling in favor of unlimited spending by individuals and corporations on political campaigns.
Commerce Clause	An enumerated power listed in the Constitution giving the federal government the right to regulate commerce between states.
Corporate Personhood	The legal doctrine holding that a corporation, separate and apart from the people who are its owners and managers, has some of the same legal rights and responsibilities enjoyed by natural persons.
Fiduciary Duty	A very high level of legal responsibility owed by those who manage someone else's money, which includes the duties of care and loyalty.
Limited Liability	A Business Owner's Protection Against Loss of Personal Assets, Granted With Corporate status.
Moral Minimum	The minimal actions or practices a business must undertake to satisfy the base threshold for acting ethically.

Quid Pro Quo	The tradeoff someone makes in return for getting something of value; from the Latin meaning <i>this for that</i> .
Sarbanes-Oxley	Legislation passed in 2002 that mandates reporting transparency by businesses in areas ranging from finance to accounting to supply chain activities.
Shareholder Primacy	A company's duty to maximize profits for stockholders.
States' Rights	A view that states should have more governing authority than the federal government, based on the Tenth Amendment, which reserves to the states any right not specifically delegated to the federal government.
Sustainability	A long-term approach to the interaction between business activity and societal impact on the environment and other stakeholders.
Tragedy of the Commons	An economy theory highlighting the human tendency to use as much of a free natural resource as wanted without regard for others' needs or for long-term environmental effects or issues.