

Chapter 2--Corporate Citizenship: Social Responsibility, Responsiveness, and Performance

Student: _____

1. A society more satisfied with corporate social responsiveness, performance, and citizenship will invariably have reduced criticism of business.

True False

2. The marketplace in the classical view of economics, while being a good allocator of goods and services, does not do a good job of ensuring that business always acts fairly and ethically.

True False

3. Philanthropy is the term by Adam Smith in *Wealth of Nations* to describe the operation of self interest resulting in the good of society.

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4. The company town, in which a major employer builds homes and commercial buildings, and provides the goods and services needed by its employees, is an example of paternalistic social responsibility.

True False

5. In Carroll's four-part definition of corporate social responsibility, ethical responsibilities are required of business by society.

True False

6. In practical terms, the socially responsible firm *must* be a good corporate citizen.

True False

7. The CSR Pyramid is a stakeholder model--that is, each of its components addresses different stakeholders.

True False

8. Arguments against corporate social responsibility tend to focus on the ethical category.

True False

9. An argument for corporate social responsibility is that it helps business compete in the global economy.

True False

10. Proponents of the concept of corporate social responsiveness believe that the focus of corporate social responsibility on accountability or obligation is not dynamic enough to describe business's willingness and activity to respond to social demands.

True False

11. Corporate social responsiveness is focused on the action phase of management response to social demands.

True False

12. Corporate social performance emphasizes the financial results of what the firm hopes to accomplish.

True False

13. Carroll's Corporate Social Performance Model helps managers understand that social responsibility is separate and distinct from financial performance.

True False

14. The corporate social performance concept has not yet spread to the business community.

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15. A survey done by Walker Information shows that the public thinks that CSR factors impact a company's reputation even more than its quality, service, and price do.

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16. One of the biggest advances in corporate social performance is that the performance criteria for measuring financial performance and social responsibility have been agreed upon.

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18. In order to operate with a true stakeholder perspective, firms must accept the multiple bottom line view.

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19. Social responsible investing is a very new concept, originating in the early 1990s.

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20. Social screening is the mechanism by which socially conscious investors choose their investment advisors.

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21. The early definition of corporate social responsibility was

A. seriously considering the impact of the company's actions on society.

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C. accomplishing the firm's social action goals.

D. that the corporation had not only economic and legal obligations, but also certain responsibilities to society which extended beyond those obligations.

22. Corporate social responsibility emphasizes

A. obligation and accountability.

B. action and activity.

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29. Which of the following practices is *not* a modification of the classical economic model?

- A. philanthropy
- B. community obligations
- C. owner control
- D. paternalism

30. The most efficient use of corporate wealth to benefit the public is through contributions to charity and other worthy causes which is called ____.
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 - B. philanthropy.
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31. The fact that business leaders in the late 19th century felt they had to show that large corporations were a force for social good is an example of
- A. the iron cage of rationality.
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32. The modern era of corporate social responsibility (from the 1950s to today)
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38. The ____ portrays the concurrent fulfillment of the firm's economic, legal, ethical and philanthropic responsibilities

- A. Pyramid of Corporate Social Responsibility
- B. Corporate Citizenship concepts
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39. The socially responsible firm should strive to do all of the following EXCEPT

- A. Make a profit
- B. Overt the law
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40. All of the following are arguments commonly made against corporate social responsibility *except*

- A. social problems should be addressed first by the free-market economic system, and then, if necessary, by government.
- B. business is not equipped to handle social activities.
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- D. business did not create today's social problems, so it should not be expected to solve them.

41. The first and primary argument for corporate social responsibility is

- A. it is a way to gain more power.
- B. business is best equipped to handle social problems.
- C. it is in business's long range interest to be socially responsible.
- D. the free-market economic system has proven to be ineffective in dealing with social problems.

42. Which of the following is *not* an argument commonly used in favor of corporate social responsibility?
- A. Business is best equipped to handle social problems.
 - B. It is in the long range interest of business to be socially responsible.
 - C. Being socially responsible helps ward off government intervention and regulation.
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43. The Civil Corporation identifies four ways in which business firms respond to social pressures. Which of the following is *not* one of those?
- A. defensive approach
 - B. cost-benefit approach
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 - D. stakeholder approach
44. According to the Business Case for CSR, a reason companies are becoming more socially responsible is all of the following *except*
- A. Access to capital
 - B. Increased revenue
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 - D. Customer demand
45. ____ is depicted as an action - oriented variant of CSR
- A. Corporate Social Responsiveness
 - B. Corporate Social Responsibility
 - C. Corporate Societal Responsibility
 - D. Corporate Social Performance
46. The ____ argument against CSR focuses on the consequence of the requirement that business must internalize costs that it formerly passed on to society in the form of dirty air run safe products which might necessitate raising prices.
- A. Resources Available
 - B. Business not equipped
 - C. Dilutes Business purpose
 - D. Global Competitiveness
47. Which of the following is *not* a dimension of Carroll's corporate social performance model?
- A. social responsibility categories
 - B. funding sources
 - C. philosophy of social responsiveness
 - D. issues

48. Carroll's corporate social performance model can be used in all of the ways listed below *except*

- A. providing a conceptualization that could lead to better managed social performance.
- B. providing answers to specific social problems.
- C. using it as a planning tool.
- D. identifying categories within which the organization can be situated.

49. The Conference Board's Ron Brown Award for Corporate Leadership honors companies for

- A. sustained high levels of corporate social performance.
- B. leadership in corporate social responsibility research.
- C. outstanding achievements in employee and community relations.
- D. outstanding achievements in stakeholder management.

50. Which of the following is a criterion for The Conference Board's Ron Brown Award for Corporate Leadership?

- A. membership in the Fortune 500
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- C. offering broad potential for social and economic benefits for U.S. society
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51. Which of the following is *not* a characteristic of a socially responsible company?

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- B. makes above average financial returns
- C. does not pollute air or water
- D. recycles within the company

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- A. unlimited
- B. broad
- C. narrow
- D. limited

53. The narrow view of corporate citizenship focuses solely on

- A. ecological issues.
- B. employee relations.
- C. corporate community relations.
- D. stakeholder management.

54. Benefits to companies of good corporate citizenship include all of the following *except*

- A. improved employee relations.
- B. improved customer relations.
- C. improved business performance.
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55. The relationship between corporate social performance and financial performance is viewed from three different perspectives. The most popular view is based on the belief that

- A. socially responsible firms are more financially profitable.
- B. more profitable firms have the ability to be more socially responsible.
- C. social responsibility and financial performance are inter-related and affect each other.
- D. there is no relationship between social responsibility and financial performance.

56. The relationship between corporate social performance and financial performance is viewed from three different perspectives. The perspective that views social responsibility as a "fair weather" concept

- A. has been studied extensively.
- B. views social responsibility as driven by the firm's financial performance.
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- A. states that financial performance determines social performance.
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58. The Triple Bottom Line concept focuses on economic, social, and environmental performance, the key elements of

- A. sustainability.
- B. growth.
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59. The Triple Bottom Line encompasses all of the following spheres of performance *except*

- A. economic.
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60. Financial returns from socially conscious investment funds are

- A. competitive with returns from other investments.
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61. Provide a short answer to each of these questions. Be sure to fully explain your answer.

Explain why Business for Social Responsibility (BSR) was formed.

62. Provide a short answer to each of these questions. Be sure to fully explain your answer.

Explain why the emergence of large corporations in the late 19th century helped shift society's view away from the classical economic view.

63. Provide a short answer to each of these questions. Be sure to fully explain your answer.

In Carroll's four-part definition of corporate social responsibility, he includes philanthropic responsibilities, yet he describes these as voluntary or discretionary. Explain this seeming contrast between a responsibility and a voluntary activity.

64. Provide a short answer to each of these questions. Be sure to fully explain your answer.

One of the arguments that opponents of corporate social responsibility use is that business already has enough power, so society should not grant it more power by relying on it to alleviate social problems. Evaluate this argument.

65. Provide a short answer to each of these questions. Be sure to fully explain your answer.

One of the arguments against corporate social responsibility is that by requiring more of U.S. corporations, they may be put at a disadvantage relative to foreign competitors. Evaluate this argument.

66. Provide a short answer to each of these questions. Be sure to fully explain your answer.

In the 1890s, the Robber Barons began to use their personal wealth and the wealth accumulated by their corporations to enhance the social good. Their philanthropic activities were encouraged, in part, because public opinion was demanding that the government do something to limit their power. Is this type of activity still occurring in the United States? Why or why not?

67. Provide a short answer to each of these questions. Be sure to fully explain your answer.

Summarize the argument used to explain why the concept of corporate social responsiveness is an improvement over corporate social responsibility.

68. Provide a short answer to each of these questions. Be sure to fully explain your answer.

Discuss the criteria used to determine what firms receive the *Business Ethics* magazine awards. Which do you think is most important? Why?

69. Provide a short answer to each of these questions. Be sure to fully explain your answer.

Explain the concept of "multiple bottom lines." Why do advocates of this approach prefer it over the traditional method of measuring the firm's financial performance?

70. Provide a short answer to each of these questions. Be sure to fully explain your answer.

Describe socially responsible investing.

71. Utilize the knowledge you have gained to respond to the following essay questions. Your answers should state your position and use logical arguments and content from this and other chapters in the textbook to support it.

Distinguish between the concepts of corporate social responsibility, corporate social responsiveness, corporate social performance, and corporate citizenship. How are these ideas different from each other? How are they similar?

72. Utilize the knowledge you have gained to respond to the following essay questions. Your answers should state your position and use logical arguments and content from this and other chapters in the textbook to support it.

The Generous Corporation argues that corporations began their philanthropic activities primarily out of self-interest. By doing so, they are able to keep government from intervening in their business activities and imposing more regulations on them. Assuming that this argument is valid, and the firms' motives are primarily self interested, evaluate whether or not the motives are important. That is, are firms' philanthropic activities less valuable because they are motivated by self interest? Explain your answer.

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The primary argument for corporate social responsibility states that for business to have a healthy climate in which to operate in the future, it must take current action to assure its long-term viability. Is this long-range self-interest argument valid? Does it encompass all that society wants from business?

74. Utilize the knowledge you have gained to respond to the following essay questions. Your answers should state your position and use logical arguments and content from this and other chapters in the textbook to support it.

Are the awards described in the textbook effective ways of promoting the idea of corporate social performance? Why or why not?

75. Utilize the knowledge you have gained to respond to the following essay questions. Your answers should state your position and use logical arguments and content from this and other chapters in the textbook to support it.

Which of the three bottom lines encompassed by the Triple Bottom Line do you consider most important? Explain your answer.

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FALSE

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- D. much lower than returns from other investments.

61. Provide a short answer to each of these questions. Be sure to fully explain your answer.

Explain why Business for Social Responsibility (BSR) was formed.

BSR was formed to fill an urgent need for a national business alliance that fosters socially responsible corporate policies. Identification of this need was aided by the close scrutiny that business has been receiving for the past three decades (as outlined in Chapter 1).

62. Provide a short answer to each of these questions. Be sure to fully explain your answer.

Explain why the emergence of large corporations in the late 19th century helped shift society's view away from the classical economic view.

Adam Smith's description of the free market system assumes a large number of small, relatively equal and powerless suppliers of goods. As large corporations became more common, it became clear that they were accumulating a significant degree of power over the economy and other spheres of society. Thus, Smith's assumptions were no longer as valid as they had been when he published *Wealth of Nations* in 1776, and society began to look more closely at business's responsibilities to society.

63. Provide a short answer to each of these questions. Be sure to fully explain your answer.

In Carroll's four-part definition of corporate social responsibility, he includes philanthropic responsibilities, yet he describes these as voluntary or discretionary. Explain this seeming contrast between a responsibility and a voluntary activity.

Carroll says that philanthropy is a responsibility because it is expected of business by society. However, it is not required, as are the economic and legal responsibilities. Business can forego philanthropic activities without suffering sanctions from society, and it has discretion in what causes it supports and how it contributes to those causes.

64. Provide a short answer to each of these questions. Be sure to fully explain your answer.

One of the arguments that opponents of corporate social responsibility use is that business already has enough power, so society should not grant it more power by relying on it to alleviate social problems. Evaluate this argument.

In many ways, the arguments for corporate social responsibility can be summarized by the old saying, "to whom much is given, much is expected." Business already has a high degree of power in our society, and so, according to this saying, it should be expected to help solve social problems. Because business already has this power, it does not seem that society would be losing anything by requiring business to use it to solve social problems, rather than focus solely on gaining further financial rewards for itself.

65. Provide a short answer to each of these questions. Be sure to fully explain your answer.

One of the arguments against corporate social responsibility is that by requiring more of U.S. corporations, they may be put at a disadvantage relative to foreign competitors. Evaluate this argument.

This argument is fallacious on its face. Corporate social responsibility is rapidly becoming a global concern, and many other countries require more from their corporations than the U.S. requires.

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In the 1890s, the Robber Barons began to use their personal wealth and the wealth accumulated by their corporations to enhance the social good. Their philanthropic activities were encouraged, in part, because public opinion was demanding that the government do something to limit their power. Is this type of activity still occurring in the United States? Why or why not?

Philanthropic activity to help ward off government intervention is still a central reason business uses to justify the corporate social responsibility concept. In fact, this is a central argument in support of CSR today.

67. Provide a short answer to each of these questions. Be sure to fully explain your answer.

Summarize the argument used to explain why the concept of corporate social responsiveness is an improvement over corporate social responsibility.

Corporate social responsibility's emphasis on obligations and accountability implied that business should do only the minimum that would satisfy the duties imposed on it by society. Corporate social responsiveness, on the other hand, emphasizes a proactive, dynamic, and action orientation. In this paradigm, business should actively seek to meet social needs before they become a duty imposed by society. Using this approach both encourages social performance by business and allows it more latitude in what actions it will take.

68. Provide a short answer to each of these questions. Be sure to fully explain your answer.

Discuss the criteria used to determine what firms receive the *Business Ethics* magazine awards. Which do you think is most important? Why?

The criteria used to determine winners of the *Business Ethics* awards focus on leadership in ethical issues, financial performance, and overcoming adversity with integrity. Although all are important in assessing social performance, I personally think the criteria related to ethical leadership are most important. Business should be more concerned about doing the right thing simply because it is the right thing to do (a deontological approach) instead of its almost exclusive focus on outcomes and cost-benefit analyses (a utilitarian approach).

69. Provide a short answer to each of these questions. Be sure to fully explain your answer.

Explain the concept of "multiple bottom lines." Why do advocates of this approach prefer it over the traditional method of measuring the firm's financial performance?

Advocates of the multiple bottom line approach argue that there is more to a firm's overall performance than simply its financial results of operations. Using the definitions of dual-entry bookkeeping, benefits provided to any constituent other than owners (e.g., compensation to workers, payments to suppliers, costs to reduce pollution) are regarded as "evils" to be kept at a minimum. The multiple bottom line approach recognizes that a firm has many stakeholders, and that not all stakeholders share common objectives. By reporting on several aspects of the firm's performance, including financial, proponents say that enhanced information is provided and the firm can better assess its impact on society.

70. Provide a short answer to each of these questions. Be sure to fully explain your answer.

Describe socially responsible investing.

The basic concept underlying socially responsible investing is that some investors seek to place their money in companies that behave in socially responsible ways. Looking at it from the opposite perspective, these investors do not want to invest in firms that act in socially irresponsible ways, such as damaging the environment or neglecting workers' rights. A whole methodology has grown to support socially responsible investing, including social and environmental screens, shareholder activism, and community investment. More than \$2 trillion is invested in this manner in the United States, and returns are competitive with other investment vehicles.

71. Utilize the knowledge you have gained to respond to the following essay questions. Your answers should state your position and use logical arguments and content from this and other chapters in the textbook to support it.

Distinguish between the concepts of corporate social responsibility, corporate social responsiveness, corporate social performance, and corporate citizenship. How are these ideas different from each other? How are they similar?

Students should recognize that responsibility focuses on accountability and obligations imposed on business by society. This is the most passive of the four concepts, which is its primary shortcoming. Responsiveness implies proaction and activity by business in anticipating social needs before they become duties imposed by society. This concept is an improvement over responsibility, but it still does not incorporate the results of its activities. This shortcoming is addressed by performance, with its focus on outcomes. Corporate citizenship encompasses all three of the other concepts, but does not really add much new to the discussion.

72. Utilize the knowledge you have gained to respond to the following essay questions. Your answers should state your position and use logical arguments and content from this and other chapters in the textbook to support it.

The Generous Corporation argues that corporations began their philanthropic activities primarily out of self-interest. By doing so, they are able to keep government from intervening in their business activities and imposing more regulations on them. Assuming that this argument is valid, and the firms' motives are primarily self interested, evaluate whether or not the motives are important. That is, are firms' philanthropic activities less valuable because they are motivated by self interest? Explain your answer.

Students will probably be nearly evenly split on their answers to this question. Many will take a pragmatic view and say that the causes that need help are getting it, regardless of the companies' reason for giving it. Others will be offended that firms are not giving for the "right" reason, and view the activity as simply another form of self-promotion and advertising. The primary focus should be on their reasoning to support their answer. If the class discusses this question, the instructor may want to compare this to the popular ethical dilemma of the hospital patient. If you were a patient in the hospital, would you want a utilitarian, a deontologist, or a virtue ethicist to visit you? The utilitarian would be there because he/she determined that overall happiness would be improved by visiting you, not necessarily because she or he wanted to see you. The deontologist would be there because s/he felt that it was her/his duty--what others would agree should be done--rather than because of a desire to see you. The virtue ethicist, on the other hand, would be visiting because it is what friends should do in that situation. This dilemma can be applied to the essay question, substituting the cause for the hospital patient and the firm for the visiting friend.

73. Utilize the knowledge you have gained to respond to the following essay questions. Your answers should state your position and use logical arguments and content from this and other chapters in the textbook to support it.

The primary argument for corporate social responsibility states that for business to have a healthy climate in which to operate in the future, it must take current action to assure its long-term viability. Is this long-range self-interest argument valid? Does it encompass all that society wants from business?

Students should recognize that the argument is certainly valid. Survival is a central motive for all organisms/organizations. Therefore, taking action to improve one's chances for survival is a valid and appropriate response. This is true whether one is talking about eating the right foods and exercising for humans, or socially responsible activities for corporations. The debate should take place over the question of whether it encompasses all that society wants from business. Stated in another way, is survival the only motive we expect from each other and from our business institutions? Some students will be convinced that self interest is all that we can realistically expect from business, while others will argue that business is part of a larger society, and thus should be expected to contribute to society in ways that benefit others, for reasons beyond survival. This debate should mirror the continuing discussion between individualistic political philosophers and communitarians.

74. Utilize the knowledge you have gained to respond to the following essay questions. Your answers should state your position and use logical arguments and content from this and other chapters in the textbook to support it.

Are the awards described in the textbook effective ways of promoting the idea of corporate social performance? Why or why not?

The awards are just one way in which CSP is promoted. Are they sufficient, by themselves, to bring about widespread acceptance of the CSP concept? Probably not. But, if viewed as one part of an ongoing campaign, they do help promote the idea. Firms thrive on positive publicity and recognition, and this is one way to achieve that. Figure 2-5 shows that the top reason for and benefit of corporate social responsibility is an enhanced reputation and better public image. Although this figure relates to corporate social responsibility, it is safe to assume that the same can be said for CSP.

75. Utilize the knowledge you have gained to respond to the following essay questions. Your answers should state your position and use logical arguments and content from this and other chapters in the textbook to support it.

Which of the three bottom lines encompassed by the Triple Bottom Line do you consider most important? Explain your answer.

Students should recognize that this is "trick" question. The whole point of the Triple Bottom Line is to move *away* from the idea that one area is more important than the others. Using the Triple Bottom Line points out the importance and inter-relation of all three, and the effects they have on various stakeholders.