

MULTIPLE CHOICE

Gap Inc. runs Gap, Banana Republic, and Old Navy clothing stores. Gap Inc. has received intense negative news coverage regarding the treatment of workers in the overseas factories from which it buys its clothes.

For example, in a dusty factory in Lesotho, Africa, workers can't escape breathing in the fibres. When they cough, their mucus is full of coloured fibres. In another Gap supplier's factory in Bangladesh, workers are beaten for simple mistakes and often not paid for the work. In El Salvador, workers complained about abuse and terrible working conditions. One worker said, "I'm very proud to sew pants for Gap, but the board of directors should not be proud of what is happening to us. Gap has abandoned us."

Some wages were so low that workers couldn't buy enough food for themselves and their families. A union organizer said, "We want them to pay a wage that allows a decent standard of living and allow workers to organize unions to improve their conditions in factories."

Gap is not the only company that relies on such suppliers. Almost any plant in the non-developed countries of the Far East would have to answer to CCOHS [Canadian Centre for Occupational Health and Safety] or Environment Canada. Because of strong competition and price-conscious consumers, retailers like Gap quickly switch orders from one factory or country to another whenever they can find a lower price. According to protest groups, that intense pressure to keep prices low encourages factory owners and managers to do everything they can to cut their costs, including mistreating workers. And with 4,000 factories in 50 countries supplying clothes for Gap Inc.'s three stores, protest groups see Gap as a big part of the problem.

Intense negative publicity, protest groups calling for worldwide Gap boycotts, and the company losing money is a tough situation for the CEO. Since Gap is a publicly traded company, keeping stockholders happy is a fundamental responsibility. On the one hand, the company needs to be profitable, which seems to mean overseas suppliers keeping their prices low. On the other hand, negative publicity and boycotts may lower sales and reduce profits.

88. Who are the primary stakeholders for Gap?
- the television networks that show its commercials
 - local radio stations that run ads about sales
 - its customers
 - special interest groups that think Gap is not accurately depicting women

ANS: C

Gap relies on customers for its long-term survival, the defining characteristic of a primary stakeholder.

PTS: 1

REF: p.76

OBJ: 6

TOP: AACSB Ethics | AACSB Analytic KEY: Ethical Responsibilities | Environmental Influence

MSC: Higher-Order

89. Which statement identifies actions that indicate Gap was ignoring its discretionary responsibilities to society?
- Gap ignored the terrible treatment of overseas workers in the clothing industry.
 - Gap created competitive advantages that are not sustainable.
 - Gap engaged in fashion obsolescence.
 - Gap allowed demand for its clothing to exceed the supply.

ANS: A

Any intervention that Gap might have attempted to improve the treatment of overseas clothing manufacturing facilities would be voluntary.

PTS: 1 REF: p.75 OBJ: 6
TOP: AACSB Ethics | AACSB Analytic KEY: Ethical Responsibilities | Environmental Influence
MSC: Higher-Order

90. Which of the following strategies did Gap initially use in response to negative media publicity?
- proactive
 - defensive
 - accommodative
 - reactive

ANS: D

The *reactive strategy* involves admitting responsibility for a problem but doing the least required to meet societal expectations.

PTS: 1 REF: p.78 OBJ: 7 TOP: AACSB Ethics
KEY: Ethical Responsibilities | Environmental Influence MSC: Higher-Order

91. Today it could be argued that Gap has become the most proactive retailer in the industry. Which statement identifies actions that this comment indicates Gap engages in?
- Gap admits responsibility for problems but does the least required to meet society's expectations.
 - Gap does less than society expects.
 - Gap accepts responsibility for a problem and does all that society expects to solve that problem.
 - Gap anticipates responsibility for a problem before it occurs and does more than society expects to address the problem.

ANS: D

Definition of *proactive strategy* of social responsiveness.

PTS: 1 REF: p.79 OBJ: 7
TOP: AACSB Ethics | AACSB Analytic KEY: Ethical Responsibilities | Environmental Influence
MSC: Higher -Order

SHORT ANSWER sample question

List and briefly describe the four areas of corporate social responsibility that are most relevant to stakeholders.

ANS:

Companies can best benefit their stakeholders by fulfilling their economic, legal, ethical, and discretionary responsibilities. Being profitable, or meeting one's economic responsibility, is a business's most basic social responsibility. Legal responsibility consists of following a society's laws and regulations. Ethical responsibility means not violating accepted principles of right and wrong when doing business. Because different stakeholders may disagree about what is or is not ethical, meeting ethical responsibilities is more difficult than meeting economic or legal responsibilities. Discretionary responsibilities are social responsibilities beyond basic economic, legal, and ethical responsibilities. Companies are not considered unethical if they do not perform these.

PTS: 1

REF: p.77–78

OBJ: 5

TOP: AACSB Ethics

KEY: Ethical Responsibilities | Environmental Influence

MSC: Remember

ESSAY Style sample question:

Compare and contrast the managerial roles of liaison, spokesperson, and negotiator. Explain both the similarities that link these roles behaviorally and the differences that are used by Henry Mintzberg to differentiate them.

ANS:

The roles of liaison, spokesperson, and negotiator are all subroles within Mintzberg's larger framework of three major roles fulfilled by managers while performing their jobs. The liaison is an *interpersonal* subrole, the spokesperson is an *informational* subrole, and the negotiator is a *decisional* subrole. From the behavioural point of view, *each of these subroles is characterized by direct communication between the manager and other people*. Specifically, in the liaison role, managers deal with people outside their units. For example, a production manager might meet with an engineering manager to develop solutions to problems. In the spokesperson role, managers share information with people outside their departments and companies. For example, a CEO might explain company performance to the board of directors. In the negotiator role, managers negotiate schedules, projects, goals, outcomes, resources, and employee raises, as, for example, in negotiating a union contract. Thus, *from the perspective of the behaviour of the manager, there is considerable similarity and overlap in these roles—Mintzberg differentiates them in terms of their primary focus*. In the case of behaviour associated with the liaison role, the primary focus is on dealing with people outside of the managers' unit (as opposed to their own subordinates or bosses), and thus the role is interpersonal. In the case of the spokesperson, the primary focus is on the sharing of information with people outside their units or companies, and thus the role is informational. Finally, in the case of the negotiator, the primary focus is on making or influencing decisions in a manner that will benefit the company, and thus the role is decisional.

PTS: 1

REF: p.10–13

OBJ: 4

MSC: Remember