

CHAPTER 2 BUSINESS ETHICS AND SOCIAL RESPONSIBILITY

CHAPTER 2 CORRELATION TABLE

	Question Number		
Question Type	Easy Knowledge	Moderate Comprehension	Difficult Application
True / False	1–16	17–40	41–50
Multiple Choice	51–83	84–122	123–150
Short Answer	151–159	160–166	167–175
Essay	176–178	179	180
Boxed Features	NA	181–188	NA
Short Case Scenario	189–192	193–196	197–200

	Question Number		
Corresponding Learning Objective	Easy Knowledge	Moderate Comprehension	Difficult Application
LO 1	1–5, 51–62, 151–154, 189–190	17–26, 84–90, 160–161, 181, 185–188, 193	41–45, 123–127, 167–169
LO 2	6–8, 63, 155	27–29, 91–93, 162–163, 176, 194	46–47, 128–132, 170
LO 3	9–13, 64–75, 156–159, 191	30–40, 94–116, 164, 177–178, 182–184, 195–196	48–50, 133–144, 171–172
LO 4	14–16, 76–82, 192	117–121, 165, 179–180	145–150, 173–175, 197–200
LO 5	83	122, 166	NA

Total Number of Test Questions: 200
(50 True/False; 100 Multiple Choice; 25 Short Answer; 5 Essay;
8 Boxed Feature; 12 Scenario)

CHAPTER 2

BUSINESS ETHICS AND SOCIAL RESPONSIBILITY

True/False Questions

Easy Questions

1. Ethics are beliefs about what is right and wrong or good and bad.

Answer: True **Level: Easy** **Page 38**
Reference: Learning Objective 1 / Ethics in the Workplace

2. Ethical behavior is behavior that individual beliefs and social norms define as being wrong and bad.

Answer: True **Level: Easy** **Page 39**
Reference: Learning Objective 1 / Ethics in the Workplace

3. A conflict of interest occurs when an activity may benefit the individual to the detriment of his or her employer.

Answer: True **Level: Easy** **Page 39**
Reference: Learning Objective 1 / Ethics in the Workplace

4. Today, almost all major corporations have written codes of ethics.

Answer: True **Level: Easy** **Page 39**
Reference: Learning Objective 1 / Ethics in the Workplace

5. Accepting and offering bribes is a normal part of doing business in some parts of the world.

Answer: True **Level: Easy** **Page 40**
Reference: Learning Objective 1 / Business and Managerial Ethics

6. Social responsibility is an attempt by a business to balance its commitments to groups and individuals in its environment, including customers, other businesses, employees, and investors.

Answer: True **Level: Easy** **Page 46**
Reference: Learning Objective 2 / Social Responsibility

7. The term *organizational stakeholder* refers to groups, individuals, and organizations that are directly affected by the practices of an organization.

Answer: True **Level: Easy** **Page 46**
Reference: Learning Objective 2 / Social Responsibility

8. An employee of an organization can be considered an organizational stakeholder.

Answer: True **Level: Easy** **Page 47**
Reference: Learning Objective 2 / Social Responsibility

9. Toxic waste must be destroyed or processed into harmless material.

Answer: False **Level: Easy** **Page 54**
Reference: Learning Objective 3 / Responsibility Toward the Environment

10. Collusion is an illegal agreement between two or more companies or individuals to commit a wrongful act.

Answer: True **Level: Easy** **Page 55**
Reference: Learning Objective 3 / Responsibility Toward Customers

11. Price gouging occurs when a company sells products below cost.

Answer: False **Level: Easy** **Page 55**
Reference: Learning Objective 3 / Responsibility Toward Customers

12. Whistle-blowers may report wrongdoing to their direct supervisors, as well as to outside agencies.

Answer: True **Level: Easy** **Page 58**
Reference: Learning Objective 3 / Responsibility Toward Employees

13. Insider trading occurs when someone uses confidential information to gain from the purchase or sale of stocks.

Answer: True **Level: Easy** **Page 59**
Reference: Learning Objective 3 / Responsibility Toward Investors

14. Under a defensive stance to social responsibility, companies meet only their minimum legal requirements.

Answer: True **Level: Easy** **Page 60**
Reference: Learning Objective 4 / Approaches to Social Responsibility

15. The proactive approach to social responsibility argues that profits should not be spent on social programs.

Answer: False **Level: Easy** **Page 61**
Reference: Learning Objective 4 / Approaches to Social Responsibility

16. Social responsibility must start at the top of the organization.

Answer: True **Level: Easy** **Page 62**
Reference: Learning Objective 4 / Managing Social Responsibility Programs

True/False Questions

Moderate Questions

17. Because ethics are based on both individual beliefs and social concepts, they do not vary from person to person.

Answer: False **Level: Moderate** **Page 39**
Reference: Learning Objective 1 / Individual Ethics
Rationale: Ethics vary from person to person, situation to situation, and culture to culture.

18. What constitutes ethical behavior is determined entirely by the individual.

Answer: False **Level: Moderate** **Page 39**

Reference: Learning Objective 1 / Individual Ethics

Rationale: Ethical and unethical behavior is determined partly by the individual and partly by the culture.

19. What constitutes ethical and unethical behavior is determined partly by the individual and partly by the culture.

Answer: True **Level: Moderate** **Page 39**

Reference: Learning Objective 1 / Individual Ethics

Rationale: Social standards are broad enough to support differences in beliefs; in addition, without violating general standards, people may develop personal codes of ethics reflecting a wide range of attitudes and beliefs.

20. A manager who discriminates against African Americans in hiring exhibits both unethical and illegal behavior.

Answer: True **Level: Moderate** **Page 40**

Reference: Learning Objective 1 / Business and Managerial Ethics

Rationale: In many other scenarios, however, many decisions may not be illegal but may be objectionable on ethical grounds.

21. Hiring a relative rather than a more qualified applicant is both illegal and unethical.

Answer: False **Level: Moderate** **Page 40**

Reference: Learning Objective 1 / Business and Managerial Ethics

Rationale: This decision may be objectionable on ethical grounds; however, this decision is not illegal.

22. Most companies have policies that forbid buyers from accepting gifts from suppliers.

Answer: True **Level: Moderate** **Page 40**

Reference: Learning Objective 1 / Business and Managerial Ethics

Rationale: Such gifts may be construed as being bribes to induce favoritism.

23. Ethical standards relating to business practices are fairly consistent around the world.

Answer: False **Level: Moderate** **Page 41**

Reference: Learning Objective 1 / Business and Managerial Ethics

Rationale: Global variations in business practices are a problem; in many countries, for example, bribes are a normal part of doing business.

24. The single most effective step a company can take to encourage ethical behavior is top management support.

Answer: True **Level: Moderate** **Page 43**

Reference: Learning Objective 1 / Company Practices and Business Ethics

Rationale: This policy contributes to a culture that values ethical standards and announces that the firm is as concerned with good citizenship as with profits.

25. The number of companies adopting written codes of ethics has declined in the last 30 years.

Answer: False Level: Moderate Page 45

Reference: Learning Objective 1 / Company Practices and Business Ethics

Rationale: The number of such companies has dramatically risen in the last three decades; most major corporations have codes of ethics.

26. Most companies have concluded that ethics training programs are ineffective.

Answer: False Level: Moderate Page 45

Reference: Learning Objective 1 / Company Practices and Business Ethics

Rationale: Most analysts agree that companies must take the chief responsibility for educating employees on ethical behavior.

27. A company that does not act responsibly toward its customers may lose their trust and ultimately their business.

Answer: True Level: Moderate Page 46

Reference: Learning Objective 3 / Responsibility Toward Customers

Rationale: There are many examples, however, in which government does control or regulate much of what businesses do.

28. A business's social responsibility to investors includes following proper accounting procedures, providing appropriate information to shareholders about financial performance, and managing the organization to protect shareholder rights and investments.

Answer: True Level: Moderate Page 47

Reference: Learning Objective 2 / The Stakeholder Model of Social Responsibility

Rationale: Further, these managers should be accurate and candid in assessing future growth and profitability, and they should avoid even the appearance of impropriety in any reporting.

29. In response to the economic turmoil of the Great Depression, the government deregulated most business activity.

Answer: False Level: Moderate Page 50

Reference: Learning Objective 2 / Contemporary Social Consciousness

Rationale: On the contrary, many people blamed the turmoil of the Great Depression for creating a climate of business greed and a lack of constraint. Out of this turmoil emerged new laws that dictated an expanded role for business in protecting and enhancing the general welfare of society.

30. In the United States, there are increased expectations for a greater social role for business.

Answer: True Level: Moderate Page 50

Reference: Learning Objective 2 / Contemporary Social Consciousness

Rationale: Critics, for example, are calling for tighter standards for business practices and increased control on accounting procedures.

31. Air, water, and land pollution are the three greatest environmental problems facing businesses.

Answer: True Level: Moderate Page 52

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: Although noise pollution is now attracting increased concern, air, water, and land pollution remain the greatest problems in need of solutions from governments and businesses alike.

32. The first formal declaration of consumer rights protection occurred when President Richard M. Nixon identified four basic consumer rights.

Answer: False Level: Moderate Page 55

Reference: Learning Objective 3 / Responsibility Toward Customers

Rationale: It was during John F. Kennedy's administration that the four basic consumer rights were outlined.

33. Most people believe that a company's social responsibility to employees goes beyond compliance with employment laws, such as equal employment opportunity and family leave.

Answer: True Level: Moderate Page 57

Reference: Learning Objective 3 / Responsibility Toward Employees

Rationale: Most people believe that firms must ensure a physically and socially safe workplace, provide opportunities to balance work and life pressures, help them maintain proper job skills, and treat them with respect.

34. About half of all whistle-blowers eventually get fired.

Answer: True Level: Moderate Page 57

Reference: Learning Objective 3 / Responsibility Toward Employees

Rationale: One recent study reveals that about half of all whistle-blowers get fired; about half of those who get fired subsequently lose their homes and/or families.

35. Whistle-blowers can confidently report findings to higher-level managers, who can be expected to take action.

Answer: False Level: Moderate Page 59

Reference: Learning Objective 3 / Responsibility Toward Employees

Rationale: Many whistle-blowers find themselves in trouble with their employers; many whistle-blowers are sometimes demoted or fired when they make certain accusations public.

36. Companies adopting an accommodative stance to social responsibility do as little as possible to solve social or environmental problems and may deny or cover up violations.

Answer: False Level: Moderate Page 61

Reference: Learning Objective 4 / Approaches to Social Responsibility

Rationale: Firms taking this an accommodative stance will meet their legal and ethical requirements but will also go further in certain cases.

37. The Ronald McDonald House is a good example of a proactive stance to social responsibility.

Answer: True Level: Moderate Page 61

Reference: Learning Objective 4 / Approaches to Social Responsibility

Rationale: A proactive stance is the highest degree of social responsibility that a firm can exhibit.

38. There is general consensus within the United States that social responsibility must take precedence over profits.

Answer: False Level: Moderate Page 62

Reference: Learning Objective 4 / Implementing Social Responsibility Programs

Rationale: Opinions differ dramatically concerning the role of social responsibility as a business goal; some people oppose any business activity that threatens profits.

39. In a social audit, an independent group of examiners evaluate a company's compliance with GAAP.

Answer: False

Level: Moderate

Page 62

Reference: Learning Objective 4 / Managing Social Responsibility Programs

Rationale: A social audit is a systematic analysis of a firm's success in using funds earmarked for its social responsibility goals.

40. Small businesses must answer many of the same social responsibility questions as big businesses.

Answer: True

Level: Moderate

Page 62

Reference: Learning Objective 5 / Social Responsibility and the Small Business

Rationale: Small businesses must answer many of the same questions as big businesses in the areas of ethics and social responsibility.

True/False Questions

Difficult Questions

41. Many ethical responses can be learned through experience.

Answer: True

Level: Difficult

Page 39

Reference: Learning Objective 1 / Individual Ethics

Rationale: Experience alone can guide individuals toward the "right" ethics responses; a cited example is Johnson & Johnson's reaction in the Tylenol case.

42. Though an individual feels that his behavior is ethical, that behavior may still be considered unethical if social norms consider it to be so.

Answer: True

Level: Difficult

Page 39

Reference: Learning Objective 1 / Individual Ethics

Rationale: What constitutes ethical and unethical behavior is determined partly by the individual and partly by the culture.

43. The ethical norm of utility evaluates whether the decision is consistent with cultural standards of fairness.

Answer: False

Level: Difficult

Page 41

Reference: Learning Objective 1 / Assessing Ethical Behavior

Rationale: The ethical norm of utility addresses whether the decision optimizes the benefits to those who are affected by the decision.

44. The ethical norm of caring evaluates whether the decision is consistent with people's responsibilities to each other.

Answer: True

Level: Difficult

Page 43

Reference: Learning Objective 1 / Assessing Ethical Behavior

Rationale: This ethical norm addresses whether a decision is consistent with people's responsibilities to each other.

45. The most essential ingredient in encouraging ethical behavior in an organization is getting all employees to buy into it.

Answer: False Level: Difficult Page 45

Reference: Learning Objective 1 / Company Practices and Business Ethics

Rationale: Top management support is the most critical element in encouraging ethical behavior in organizations.

46. Because of better customer service, large banks have outperformed smaller banks in recent years.

Answer: False Level: Difficult Page 46

Reference: Learning Objective 2 / The Stakeholder Model of Social Responsibility

Rationale: In recent years, many smaller banks have increased their profits by offering much stronger customer service than the large national banks.

47. In the 1960s and 1970s, business was seen as a negative social force.

Answer: True Level: Difficult Page 50

Reference: Learning Objective 2 / Contemporary Social Consciousness

Rationale: Some critics even charged that defense contractors had helped to promote the Vietnam War to spur their own profits.

48. According to the Intergovernmental Panel on Climate Change, greenhouse emissions are expected to decrease in the 21st century.

Answer: False Level: Difficult Page 51

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: This group revealed a negatively dramatic impact on the environment in their “worst-case” scenario in the 21st century.

49. Much of the damage to forests and streams in the eastern United States and Canada has been attributed to acid rain originating in sulfur from manufacturing and power plants in the Midwestern United States.

Answer: True Level: Difficult Page 53

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: This has resulted from acid rain that developed when sulfur was pumped into the atmosphere, mixed with natural moisture, and fell to the ground as rain.

50. The consumer rights presented by President John F. Kennedy have been modified many times in order to keep up with changes in laws and regulations related to consumerism.

Answer: False Level: Difficult Page 55

Reference: Learning Objective 3 / Responsibility Toward Customers

Rationale: These original rights are backed by numerous federal and state laws.

Multiple Choice Questions**Easy Questions**

51. _____ are beliefs about what is right and wrong or good or bad.
- a. Mores
 - b. Motivators
 - c. Cultures
 - d. Ethics

Answer: d **Level: Easy** **Page 38**
Reference: Learning Objective 1 / Ethics in the Workplace

52. Behavior that conforms to individual beliefs and social norms about what is right and good is referred to as _____.
- a. collusion
 - b. social reaction
 - c. ethical behavior
 - d. GAAP

Answer: c **Level: Easy** **Page 39**
Reference: Learning Objective 1 / Ethics in the Workplace

53. A behavior that does not conform to accepted beliefs and social norms is defined as _____.
- a. ethical behavior
 - b. unethical behavior
 - c. irresponsibility
 - d. business ethics

Answer: b **Level: Easy** **Page 39**
Reference: Learning Objective 1 / Ethics in the Workplace

54. _____ refers to ethical or unethical behaviors by employees in the context of their jobs.
- a. Social ethics
 - b. Business ethics
 - c. Collusion
 - d. Social responsibility

Answer: b **Level: Easy** **Page 39**
Reference: Learning Objective 1 / Ethics in the Workplace

55. Ethical and unethical behaviors are determined by _____.
- a. the individual
 - b. the culture
 - c. both the individual and the culture
 - d. neither the individual nor the culture

Answer: c **Level: Easy** **Page 39**
Reference: Learning Objective 1 / Individual Ethics

56. Joe paid John less than he deserved because he knew John needed the job badly. Joe's behavior may be considered _____.
a. illegal
b. unethical
c. illegal and unethical
d. neither illegal nor unethical

Answer: b **Level: Easy** **Page 39**
Reference: Learning Objective 1 / Business and Managerial Ethics

57. Which of the following issues led to Enron's demise?
a. price gouging
b. misleading investors
c. insider trading
d. collusion

Answer: b **Level: Easy** **Page 40**
Reference: Learning Objective 1 / Business and Managerial Ethics

58. Which of the following is NOT necessary to assess ethical behavior?
a. gather facts
b. make a judgment based on the rightness or wrongness of the activity or policy
c. consider appropriate moral values
d. listen to what is being said in the rumor mill

Answer: d **Level: Easy** **Page 41**
Reference: Learning Objective 1 / Assessing Ethical Behavior

59. In setting ethical standards, perhaps the most effective step that a company can take is to _____.
a. adopt a code of ethics
b. demonstrate top management support of ethical standards
c. engage employees in ethics training
d. take an accommodative stance

Answer: b **Level: Easy** **Page 43**
Reference: Learning Objective 1 / Company Practices and Business Ethics

60. Top managers demonstrate commitment to ethical business practices with _____.
a. the adoption of written codes of ethics
b. employee empowerment
c. decentralized decision making practices
d. collusion with other companies

Answer: a **Level: Easy** **Page 45**
Reference: Learning Objective 1 / Company Practices and Business Ethics

61. Which statement is false?
a. Fewer and fewer companies are adopting codes of ethics.
b. More and more companies are adopting codes of ethics.
c. Some ethical responses can be learned through experience.
d. Social responsibility involves providing quality products and pricing products fairly.

Answer: a **Level: Easy** **Page 45**
Reference: Learning Objective 1 / Company Practices and Business Ethics

62. Which of the following statements could possibly be included in a company's code of ethics?
- a. We have respect for individuals.
 - b. We encourage innovation.
 - c. We achieve our objective through teamwork.
 - d. All of these are possibilities.

Answer: d

Level: Easy

Page 45

Reference: Learning Objective 1 / Company Practices and Business Ethics

63. The way in which a business tries to balance its commitments to groups and individuals in its social environment is called ____.
- a. business ethics
 - b. socialization
 - c. corporate responsibility
 - d. social responsibility

Answer: d

Level: Easy

Page 46

Reference: Learning Objective 2 / Social Responsibility

64. During the first few years of his administration, some of the harshest criticism toward President Bush was directed at his ____ policies.
- a. economic
 - b. environmental
 - c. foreign
 - d. technological

Answer: b

Level: Easy

Page 51

Reference: Learning Objective 3 / Responsibility Toward the Environment

65. Social responsibility toward customers generally falls into two categories. What are they?
- a. providing product safety; pricing products fairly
 - b. providing courteous service; pricing products fairly
 - c. providing quality products; providing courteous service
 - d. providing quality products; pricing products fairly

Answer: d

Level: Easy

Page 54

Reference: Learning Objective 3 / Responsibility Toward Customers

66. Which problems are less likely to be costly to fix?
- a. customer problems
 - b. environmental problems
 - c. technological problems
 - d. none of the above

Answer: a

Level: Easy

Page 54

Reference: Learning Objective 3 / Responsibility Toward Customers

67. On what are apparel manufacturers required to provide full disclosure?
- a. type of fabric used
 - b. type of dye used
 - c. place of manufacture
 - d. size of the garment

Answer: a

Level: Easy

Page 54

Reference: Learning Objective 3 / Responsibility Toward Customers

68. Social activism dedicated to protecting the rights of consumers in their dealings with businesses is called _____.
a. conservation
b. consumerism
c. collusion
d. whistle-blowing

Answer: b **Level: Easy** **Page 54**
Reference: Learning Objective 3 / Responsibility Toward Customers

69. A company that has established websites to provide product information is most likely attempting to give consumers _____.
a. a right to be heard
b. a right to be informed
c. a right to choose which products to buy
d. a right to safe products

Answer: b **Level: Easy** **Page 55**
Reference: Learning Objective 3 / Responsibility Toward Customers

70. Social responsibility toward employees includes _____.
a. recruiting fairly
b. hiring fairly
c. promoting fairly
d. all of the above

Answer: d **Level: Easy** **Page 57**
Reference: Learning Objective 3 / Responsibility Toward Employees

71. Acme Inc. provides employees with equal opportunities for rewards and advancement. Acme is meeting its _____ responsibilities.
a. legal
b. social
c. only
d. legal and social

Answer: d **Level: Easy** **Page 57**
Reference: Learning Objective 3 / Responsibility Toward Employees

72. In maintaining and reporting its financial status, every corporation must _____.
a. conform to generally accepted accounting principles (GAAP)
b. purchase stocks on margin
c. use creative accounting practices
d. support increased stock prices

Answer: a **Level: Easy** **Page 58**
Reference: Learning Objective 3 / Responsibility Toward Investors

73. Financial mismanagement is _____.
a. unethical and illegal
b. ethical and legal
c. unethical but not necessarily illegal
d. illegal but not necessarily unethical

Answer: c **Level: Easy** **Page 59**
Reference: Learning Objective 3 / Responsibility Toward Investors

74. Which of the following occurs when someone uses confidential information to gain from the purchase or sale of stocks?
- a. identity theft
 - b. a margin purchase
 - c. insider trading
 - d. collusion

Answer: c **Level: Easy** **Page 59**
Reference: Learning Objective 3 / Responsibility Toward Investors

75. Bob Crawford sold shares in XYZ Company after finding out from XYZ's CEO that XYZ's stock was about to drop in price. Bob engaged in ____.
- a. whistle-blowing
 - b. misrepresentation of finances
 - c. insider trading
 - d. an accommodative stance to social responsibility

Answer: c **Level: Easy** **Page 59**
Reference: Learning Objective 3 / Responsibility Toward Investors

76. The Sarbanes-Oxley Act of 2002 requires that ____.
- a. the chief financial officer prevent insider trading
 - b. the chief financial officer engage in strategic management
 - c. the chief financial officer guarantee the accuracy of financial reporting
 - d. the chief financial officer engage in creative accounting

Answer: c **Level: Easy** **Page 59**
Reference: Learning Objective 4 / Responsibility Toward Investors

77. A(n) ____ stance to social responsibility involves doing as little as possible and may involve attempts to deny or cover up violations.
- a. accommodative
 - b. obstructionist
 - c. proactive
 - d. defensive

Answer: b **Level: Easy** **Page 60**
Reference: Learning Objective 4 / Approaches to Social Responsibility

78. A(n) ____ stance to social responsibility occurs when a company meets only the minimum legal requirements in its commitments to groups and individuals in its social environment.
- a. accommodative
 - b. obstructionist
 - c. proactive
 - d. defensive

Answer: d **Level: Easy** **Page 60**
Reference: Learning Objective 4 / Approaches to Social Responsibility

79. With a(n) _____ stance to social responsibility, a firm will hide wrongdoing.
- a. defensive
 - b. obstructionist
 - c. accommodative
 - d. proactive

Answer: b **Level: Easy** **Page 60**
Reference: Learning Objective 4 / Approaches to Social Responsibility

80. Firms that adopt a(n) _____ stance to social responsibility meet their legal requirements and exceed legal minimums when specifically asked.
- a. accommodative
 - b. obstructionist
 - c. proactive
 - d. defensive

Answer: a **Level: Easy** **Page 61**
Reference: Learning Objective 4 / Approaches to Social Responsibility

81. In a(n) _____ stance to social responsibility, a company actively seeks opportunities to contribute to the well being of groups and individuals in its social environment.
- a. accommodative
 - b. obstructionist
 - c. proactive
 - d. defensive

Answer: c **Level: Easy** **Page 61**
Reference: Learning Objective 4 / Approaches to Social Responsibility

82. The systematic analysis of an organization's success in using funds earmarked for its social responsibility goals is called a _____.
- a. governmental mandate
 - b. community activist approach
 - c. social audit
 - d. government initiative

Answer: c **Level: Easy** **Page 61**
Reference: Learning Objective 4 / Managing Social Responsibility Programs

83. Ethical issues confronting big-businesses _____.
- a. are very different from those facing small businesses
 - b. are very similar to those facing small businesses
 - c. usually require more complex decision making than those issues facing small businesses.
 - d. A and C

Answer: b **Level: Easy** **Page 62**
Reference: Learning Objective 5 / Managing Social Responsibility Programs

Multiple Choice Questions**Moderate Questions**

84. Ethics are based on individual beliefs and social concepts and vary from _____.
a. person to person
b. situation to situation
c. culture to culture
d. all of the above

Answer: d **Level: Moderate** **Page 39**

Reference: Learning Objective 1 / Individual Ethics

Rationale: Further, social standards are broad enough to support differences in beliefs. Without violating general standards, people may develop personal codes of ethics reflecting a wide range of attitudes and beliefs, for example.

85. A(n) _____ occurs when an activity may benefit the individual to the detriment of his or her employer.
a. agency dispute
b. loss leader
c. conflict of interest
d. ethical dilemma

Answer: c **Level: Moderate** **Page 40**

Reference: Learning Objective 1 / Business and Managerial Ethics

Rationale: For example, many companies have policies that forbid buyers from accepting gifts from suppliers since such gifts might be construed as a bribe or an attempt to induce favoritism.

86. A firm's customers, competitors, stockholders, suppliers, dealers, and unions are considered _____.
a. fiduciaries
b. investors
c. sphere of influence
d. primary agents of interest

Answer: d **Level: Moderate** **Page 40**

Reference: Learning Objective 1 / Business and Managerial Ethics

Rationale: Ethics often comes into play in the relationship between the firm and these primary agents; there is room for ethical ambiguity in about every activity.

87. Suppose a manager cheats on an expense account. Into which of the following areas of managerial ethics does this behavior fall?
a. organizational behavior toward other economic agents
b. employee behavior toward the organization
c. organizational behavior toward the employee
d. other economic agents' behavior toward the organization

Answer: b **Level: Moderate** **Page 40**

Reference: Learning Objective 1 / Business and Managerial Ethics

Rationale: The manager has violated the ethics of his responsibilities toward his employer.

88. Through _____, companies formally acknowledge their intent to do business in an ethical manner.
- government regulations
 - EEOC guidelines
 - codes of ethics
 - blue sky laws

Answer: c

Level: Moderate

Page 40

Reference: Learning Objective 1 / Company Practices and Business Ethics

Rationale: The number of companies that have adopted codes of ethics has risen dramatically in the last three decades, and today almost all major corporations have written codes of ethics.

89. _____ is the practice of responding to increased demand with overly steep prices.
- Price gouging
 - Price lining
 - Price fixing
 - Collusion

Answer: a

Level: Moderate

Page 41

Reference: Learning Objective 1 / Business and Managerial Ethics

Rationale: Price gouging occurs when marketers raise prices when consumer demand increases.

90. An act of an ethical commitment in the Tylenol case was exhibited by which of the following companies?
- United Technologies
 - Seagate Technologies
 - Johnson & Johnson
 - Merck Pharmaceuticals

Answer: c

Level: Moderate

Page 43

Reference: Learning Objective 1 / Company Practices and Business Ethics

Rationale: Employees at Johnson & Johnson knew, without directive, that they should get to retailers' shelves and pull the product as quickly as possible.

91. Organizational stakeholders can best be defined as _____.
- individuals and businesses that own stock in a company
 - individuals and groups that are directly affected by the practices of an organization
 - the officers and key employees of an organization
 - competitors

Answer: b

Level: Moderate

Page 46

Reference: Learning Objective 2 / Social Responsibility

Rationale: Further, stakeholders have a "stake" in the company's performance.

92. Which of the following groups is NOT considered an organizational stakeholder?
- employees
 - investors
 - customers
 - competitors

Answer: d

Level: Moderate

Page 46

Reference: Learning Objective 2 / The Stakeholder Model of Social Responsibility

Rationale: Relevant stakeholders include customers, employees, investors, suppliers, and the local communities.

93. Which of the following is NOT true regarding the stakeholder model of responsibility?
- a. Most companies concentrate on customers as one of their priorities.
 - b. Most companies concentrate on communities as one of their priorities.
 - c. The stakeholder model does not apply to international business.
 - d. The stakeholder model applies to international business.

Answer: c

Level: Moderate

Page 49

Reference: Learning Objective 2 / The Stakeholder Model of Social Responsibility

Rationale: The stakeholder model of responsibility applies to both domestic and international business.

94. Energy supplies that are roughly equal to the annual energy consumption of the New York Metropolitan area and used by the Intergovernmental Panel on Climate Change for carbon dioxide levels are measured in ____.
- a. kilowatts
 - b. megabytes
 - c. exajoules
 - d. pounds per square inch

Answer: c

Level: Moderate

Page 51

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: One criterion for estimating changes in carbon dioxide levels is energy supplies; these are measured in exajoules.

95. The injection of harmful substances into the environment is called ____.
- a. consumption
 - b. acid rain
 - c. pollution
 - d. collusion

Answer: c

Level: Moderate

Page 52

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: Pollution comes in various forms; although noise pollution is now attracting increased concern, air, water, and land pollution remains the greatest problem in need of solutions from governments and businesses alike.

96. ____ are waste industrial gases that trap heat in the atmosphere.
- a. By-products
 - b. Exajoules
 - c. Greenhouse emissions
 - d. Acid rain

Answer: c

Level: Moderate

Page 53

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: Greenhouse emissions refer to the atmospheric carbon dioxide levels emitted into the air.

97. The criteria for estimating changes in the atmosphere developed by the Intergovernmental Panel on Climate change consists of which of the following?
- population
 - economic growth
 - energy supplies
 - all of the above

Answer: d **Level: Moderate** **Page 53**

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: Also included in this group are technologies; the less pressure exerted by these conditions, the less the increase in carbon dioxide levels.

98. Carbon monoxide emitted by automobiles contributes to ____.
- land pollution
 - air pollution
 - noise pollution
 - water pollution

Answer: b **Level: Moderate** **Page 53**

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: Other factors contributing to air pollution is smoke and chemicals from manufacturing plants.

99. Which of the following occurs when sulfur is pumped into the atmosphere, mixes with natural moisture, and falls to the ground?
- toxic waste
 - acid rain
 - water pollution
 - dew

Answer: b **Level: Moderate** **Page 53**

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: Much of the damage to forests in the eastern United States and Canada has been attributed to acid rain originating in sulfur from manufacturing and power plants.

100. Water becomes polluted primarily through ____.
- chemical and waste dumping
 - animal use
 - rainfall
 - none of the above

Answer: a **Level: Moderate** **Page 53**

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: For years, businesses and cities dumped waste into rivers, streams, and lakes with little regard for the consequences.

101. Dangerous chemical and/or radioactive byproducts of manufacturing processes are called ____.
- green rain
 - phosphates
 - exajoules
 - toxic wastes

Answer: d **Level: Moderate** **Page 54**

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: U.S. manufacturers produce between 40 and 60 million tons of such material each year; as a rule toxic waste must be stored since it cannot be destroyed or processed into harmless material.

102. As a rule, toxic waste must be _____.
a. eaten
b. burned
c. diluted
d. stored

Answer: d **Level: Moderate** **Page 54**

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: Toxic waste must be stored since it cannot be destroyed or processed into harmless material.

103. The reconversion of waste materials into useful products is referred to as _____.
a. acid rain
b. manufacturing
c. solidifying
d. recycling

Answer: d **Level: Moderate** **Page 54**

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: Recycling has become an issue not only for municipal and state governments but also for many companies engaged in high-waste activities; certain products, such as aluminum beverage cans and glass, can be very efficiently recycled. Other products are more troublesome, including plastics.

104. Which of the following organizations regulates advertising and pricing practices?
a. Food and Drug Administration (FDA)
b. Federal Trade Commission (FTC)
c. Federal Communication Commission (FCC)
d. Securities and Exchange Commission (SEC)

Answer: b **Level: Moderate** **Page 54**

Reference: Learning Objective 3 / Responsibility Toward Customers

Rationale: The government controls and regulates many business activities; irresponsible practices toward customers can result in government-imposed penalties and expensive civil litigation.

105. Which of the following organizations enforces guidelines for labeling food products?
a. Securities and Exchange Commission (SEC)
b. Food and Drug Administration (FDA)
c. Federal Communication Commission (FCC)
d. Federal Trade Commission (FRC)

Answer: b **Level: Moderate** **Page 54**

Reference: Learning Objective 3 / Responsibility Toward Customers

Rationale: The government controls and regulates many business activities; irresponsible practices toward customers can result in government-imposed penalties and expensive civil litigation.

106. Into which two areas does social responsibility toward customers generally fall?
a. service and price
b. safety and service
c. service and quality
d. quality and price

Answer: d **Level: Moderate** **Page 54**

Reference: Learning Objective 3 / Responsibility Toward Customers

Rationale: Social responsibility toward customers falls into two areas: price and quality.

107. Which of the following has NOT been identified as a basic consumer right?
- a. Consumers have a right to safe products.
 - b. Consumers have a right to low prices.
 - c. Consumers have a right to be informed about a product.
 - d. Consumers have a right to choose what they buy.

Answer: b

Level: Moderate

Page 55

Reference: Learning Objective 3 / Responsibility Toward Customers

Rationale: Additional consumer rights include (1) Customers have a right to be heard; and (2) Customers have a right to courteous service.

108. When two or more firms agree to collaborate on wrongful acts, it is referred to as ____.
- a. monopolizing
 - b. consumerism
 - c. collusion
 - d. brokering

Answer: c

Level: Moderate

Page 55

Reference: Learning Objective 3 / Responsibility Toward Customers

Rationale: A recent example of collusion occurred when the U.S. Justice Department charged three pharmaceutical firms with illegally controlling worldwide supplies and prices of vitamins.

109. Responding to increased demand with overly steep, and often unwarranted, price increases is called ____.
- a. price fixing
 - b. price matching
 - c. unit pricing
 - d. price gouging

Answer: d

Level: Moderate

Page 55

Reference: Learning Objective 3 / Responsibility Toward Customers

Rationale: For example, when residents of a coastal area are warned about a possible hurricane, they often flock to retailers to stock up on bottled water and batteries; unfortunately, some retailers take advantage of this pattern by marking up their prices.

110. Sharp increases in the price of gasoline following September 11, 2001, is an example of ____.
- a. price fixing
 - b. price matching
 - c. price gouging
 - d. price segmentation

Answer: c

Level: Moderate

Page 55

Reference: Learning Objective 3 / Responsibility Toward Customers

Rationale: Price gouging is the response to increased demand with overly steep, and often unwarranted, price increases.

111. Sam's Meat Market raised prices considerably during peak tourist seasons, knowing that consumers would be willing to pay higher prices for premium meats. This is an example of ____.
- a. price fixing
 - b. collusion
 - c. price gouging
 - d. price skimming

Answer: c

Level: Moderate

Page 55

Reference: Learning Objective 3 / Responsibility Toward Customers

Rationale: Price gouging occurs when marketers increase prices as demand increases.

112. A company that provides its employees with equal opportunities for advancement without regard to race, sex, or other relevant factors is meeting its _____ responsibility.
- a. legal
 - b. social
 - c. affirmative
 - d. legal and social

Answer: d **Level: Moderate** **Page 57**

Reference: Learning Objective 3 / Responsibility Toward Employees

Rationale: Socially responsible behaviors toward employees have both legal and social components.

113. An employee who detects and tries to put an end to a company's unethical, illegal, and/or socially irresponsible actions by publicizing them is referred to as a(n) _____.
- a. buyer's remorse
 - b. whistle-blower
 - c. corporate lookout
 - d. government inspector

Answer: b **Level: Moderate** **Page 57**

Reference: Learning Objective 3 / Responsibility Toward Employees

Rationale: As whistle-blowers, employees generally contact the media or a particular regulatory agency.

114. As a rule, irresponsible behavior toward shareholders means abuse of a firm's _____.
- a. managers
 - b. suppliers
 - c. financial resources
 - d. customers

Answer: c **Level: Moderate** **Page 59**

Reference: Learning Objective 3 / Responsibility Toward Investors

Rationale: In such cases, the ultimate losers are the shareholder-owners who do not receive their due earnings or dividends.

115. Firms accused of paying excessive salaries to senior managers or providing frivolous "perks" may be engaging in _____.
- a. human resources violations
 - b. collusion
 - c. environmental pollution
 - d. improper financial management

Answer: d **Level: Moderate** **Page 59**

Reference: Learning Objective 3 / Responsibility Toward Investors

Rationale: Such financial mismanagement is often unethical but not necessarily illegal.

116. Martha Stewart and Samuel Waksal were accused of _____.
- a. improper financial management
 - b. collusion
 - c. segmenting the market
 - d. insider trading

Answer: d **Level: Moderate** **Page 59**

Reference: Learning Objective 3 / Responsibility Toward Investors

Rationale: Waksal and Stewart were at the heart of the ImClone investigations; both were accused of insider trading, which occurs when someone uses confidential information to gain from the purchase or sale of stocks.

117. Firms that have adopted a(n) _____ stance to social responsibility have little regard for ethical conduct and will generally go to great lengths to hide wrongdoing.
- a. accommodative
 - b. obstructionist
 - c. proactive
 - d. defensive

Answer: b **Level: Moderate** **Page 60**

Reference: Learning Objective 4 / Approaches to Social Responsibility

Rationale: Those organizations taking an obstructionist stance usually do as little as possible to solve social or environmental problems.

118. In the United States, tobacco companies are legally required to include warnings to smokers on their products and to limit advertising to prescribed media. Within the U.S., they follow these rules but use more aggressive methods in countries with no such rules. As such, tobacco companies typically adopt a(n) _____ stance to social responsibility in marketing their products.
- a. accommodative
 - b. obstructionist
 - c. proactive
 - d. defensive

Answer: d **Level: Moderate** **Page 60**

Reference: Learning Objective 4 / Approaches to Social Responsibility

Rationale: With a defensive stance, organizations will do what is legally required of them but nothing more.

119. Firms adopting a(n) _____ stance to social responsibility do not necessarily or proactively seek avenues for contributing, but participate after solicitation.
- a. accommodative
 - b. obstructionist
 - c. proactive
 - d. defensive

Answer: a **Level: Moderate** **Page 61**

Reference: Learning Objective 4 / Approaches to Social Responsibility

Rationale: A firm that adopts an accommodative stance meets its legal and ethical requirements but will also go further in certain cases.

120. The highest degree of social responsibility that a firm can exhibit is the _____ stance.
- a. accommodative
 - b. obstructionist
 - c. proactive
 - d. defensive

Answer: c **Level: Moderate** **Page 61**

Reference: Learning Objective 4 / Approaches to Social Responsibility

Rationale: Firms that are proactive take to heart the arguments in favor of social responsibility; these firms view themselves as citizens in a society and proactively seek opportunities to contribute.

121. Which of the following is NOT a step mentioned by the authors of your textbook to foster a company wide sense of social responsibility?
- Social responsibility must start at the top.
 - A committee of top managers must develop a plan.
 - Governmental initiatives dictate starting a plan.
 - One executive is put in charge of the firm's agenda.

Answer: c

Level: Moderate

Page 62

Reference: Learning Objective 4 / Managing Social Responsibility Programs

Rationale: Initiative to start a social responsibility plan do not start with the government; these initiative begin with individual managers/employees within individual companies.

122. A key to business success is to decide in advance how to respond to the issues that underlie all questions of ethics and ____.
- personnel complaints
 - compensatory damages
 - governmental support
 - social responsibility

Answer: d

Level: Moderate

Page 63

Reference: Learning Objective 5 / Social Responsibility and the Small Business

Rationale: Ethics and social responsibility are decisions faced by all managers in all organizations, regardless of rank or size; one key to business success is to decide in advance how to response to the issues surrounding both areas.

Multiple Choice Questions

Difficult Questions

123. When evaluating a decision based on the ethical norm of utility, a manager will consider which of the following questions?
- Is the decision consistent with what we regard as fair?
 - Does the decision respect the rights of the individuals involved?
 - Is the decision consistent with people's responsibility to each other?
 - Does the decision optimize the benefits for those who are affected by it?

Answer: d

Level: Difficult

Page 43

Reference: Learning Objective 1 / Assessing Ethical Behavior

Rationale: The ethical norm of utility addresses those affected by a decision and whether the decision optimizes what is best for those individuals.

124. When evaluating a decision based on the ethical norm of rights, a manager will consider which of the following questions?
- Is the decision consistent with what we regard as fair?
 - Does the decision respect the rights of the individuals involved?
 - Is the decision consistent with people's responsibilities to each other?
 - Does the decision optimize the benefits for those who are affected by it?

Answer: b

Level: Difficult

Page 43

Reference: Learning Objective 1 / Assessing Ethical Behavior

Rationale: The ethical norm of rights addresses the rights of individuals involved with the decision and whether the decision respects those individuals' rights.

125. When evaluating a decision based on the ethical norm of justice, a manager will consider which of the following questions?
- Is the decision consistent with what we regard as fair?
 - Does the decision respect the rights of the individuals involved?
 - Is the decision consistent with people's responsibilities to each other?
 - Does the decision optimize the benefits for those who are affected by it?

Answer: a

Level: Difficult

Page 43

Reference: Learning Objective 1 / Assessing Ethical Behavior

Rationale: The ethical norm of justice addresses whether a decision is consistent with what we regard as fair.

126. The most effective step that a company can take to promote ethical behavior is to ____.
- conduct frequent comprehensive audits of all financial information
 - have employees sign a code of conduct upon hiring
 - demonstrate top management support of ethical standards
 - publicize efforts to become more ethical

Answer: c

Level: Difficult

Page 43

Reference: Learning Objective 1 / Company Practices and Business Ethics

Rationale: Such a policy contributes to a corporate culture that values ethical standards and announces that the firm is as concerned with good citizenship as with profits.

127. According to analysts, who must take chief responsibility for educating employees about ethics?
- employers
 - business schools
 - parents
 - religious organizations

Answer: a

Level: Difficult

Page 43

Reference: Learning Objective 1 / Company Practices and Business Ethics

Rationale: Both business schools and employers play a role in educating individuals about ethics; however, employers are now taking the chief responsibility for educating individuals about ethics.

128. Companies such as L.L. Bean, Land's End, and Johnson & Johnson have reputations for demonstrating a high level of social responsibility to ____.
- the investors
 - local communities
 - their employees
 - their customers

Answer: d

Level: Difficult

Page 46

Reference: Learning Objective 2 / The Stakeholder Model of Social Responsibility

Rationale: Such businesses seek to charge fair prices, honor warranties, meet delivery commitments, and stand behind the quality of the products they sell.

129. Companies such as The Container Store, Starbucks, Microsoft, FedEx, and American Express have reputations for demonstrating a high level of social responsibility to _____.
a. the investors
b. local communities
c. their employees
d. their customers

Answer: c

Level: Difficult

Page 47

Reference: Learning Objective 2 / The Stakeholder Model of Social Responsibility

Rationale: Such firms work to treat workers fairly, make them a part of the team, and respect their dignity and basic human needs.

130. The economic turmoil of the _____ led to new laws that described an expanded role for businesses in protecting and enhancing the general welfare of society.
a. Great Depression
b. Middle Ages
c. Era of Social Activism
d. Entrepreneurial Era

Answer: a

Level: Difficult

Page 50

Reference: Learning Objective 2 / Contemporary Social Consciousness

Rationale: Many people blamed the Depression on a climate of business greed and lack of restraint.

131. Which of the following firms has a policy against selling handguns and other weapons?
a. Beretta
b. Wal-Mart
c. Procter & Gamble
d. Target

Answer: d

Level: Difficult

Page 50

Reference: Learning Objective 2 / Contemporary Social Consciousness

Rationale: Sears and Target have policies against selling weapons; some retailers, such as KayBee, refuse to sell toy guns that look too realistic.

132. General economic prosperity in the 1980s and 1990s led people to view business as _____.
a. a negative social force
b. being able to police itself through the free market
c. a hotbed for corporate scandals
d. the main cause for moral outrage

Answer: b

Level: Difficult

Page 50

Reference: Learning Objective 2 / Contemporary Social Consciousness

Rationale: Economic prosperity during these decades created a laissez-faire approach in which business was viewed as a positive social force.

133. Under the Intergovernmental Panel on Climate Change's "worst-case" scenario for world-wide climate changes, we would find a(n) _____.
a. decrease in the number of hurricanes
b. increase in the number of droughts
c. decrease in severe winter weather
d. decrease in energy supplies

Answer: b

Level: Difficult

Page 51

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: Additional predictions include increased hurricanes and winter sieges.

134. Which of the following types of wastes can be separated and used as fuels in industrial boilers?
a. phosphates
b. acid rain
c. combustible
d. chloride

Answer: c

Level: Difficult

Page 51

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: Further, decomposition can be accelerated by exposing waste matter to certain microorganisms.

135. The air around which city is generally considered to be the most polluted in the entire world?
a. Chicago, Illinois
b. Arlington, Virginia
c. Mexico City, Mexico
d. Tokyo, Japan

Answer: c

Level: Difficult

Page 53

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: Within the United States, the worst air quality tends to hover over Denver and Los Angeles; however, Mexico City is known to have the most polluted air in the world.

136. Laws forbidding dumping of _____ have resulted in water in New York and Florida becoming safe for fishing and swimming.
a. silver
b. phosphates
c. carbon
d. chloride

Answer: b

Level: Difficult

Page 53

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: Water quality in many areas of the United States is improving; such laws forbidding phosphates have improved water in Lake Erie as well as other lakes, streams, and rivers.

137. Much of the damage to forests and streams in the eastern United States and Canada has been attributed to acid rain originating in sulfur from manufacturing and power plants in _____.
a. Canada
b. the Midwestern United States
c. Mexico
d. Europe

Answer: b

Level: Difficult

Page 54

Reference: Learning Objective 3 / Responsibility Toward the Environment

Rationale: Air pollution is compounded by such problems as acid rain, which occurs when sulfur is pumped into the atmosphere, mixes with natural moisture, and falls to the ground as rain.

138. The first formal declaration of consumer rights protection came in the early _____.
a. 1960s
b. 1800s
c. 1920s
d. 1990s

Answer: a **Level: Difficult** **Page 54**

Reference: Learning Objective 3 / Responsibility Toward Customers

Rationale: This declaration came when President Kennedy identified four basic consumer rights.

139. Save-a-Bunch Hardware has doubled its prices for plywood and other building supplies after a tornado strikes the area. Save-a-Bunch Hardware is likely guilty of _____.
a. price gouging
b. price lining
c. price fixing
d. collusion

Answer: a **Level: Difficult** **Page 55**

Reference: Learning Objective 3 / Responsibility Toward Customers

Rationale: When firms respond to increased demand with overly steep prices, they are engaging in price gouging.

140. The Justice Department recently charged three international pharmaceutical firms with _____ for illegally controlling worldwide prices of vitamins.
a. consumerism
b. price lining
c. price fixing
d. price gouging

Answer: c **Level: Difficult** **Page 55**

Reference: Learning Objective 3 / Responsibility Toward Customers

Rationale: Price fixing is a form of collusion in which two or more firms collaborate on such wrongful acts.

141. Enron employee Sherron Watkins was a(n) _____, reporting concerns about the company's accounting practices.
a. whistle-blower
b. informant
c. auditor
d. ombudsman

Answer: a **Level: Difficult** **Page 58**

Reference: Learning Objective 3 / Responsibility Toward Employees

Rationale: A whistle-blower is an employee who reports wrongdoing to the media or to an outside regulatory agency.

142. The current whistle-blower law stems from which of the following pieces of legislation?
a. The False Claims Act of 1863
b. The Sherman Act of 1890
c. The Clayton Act of 1914
d. The Webb-Pomerene Act of 1918

Answer: a **Level: Difficult** **Page 58**

Reference: Learning Objective 3 / Responsibility Toward Employees

Rationale: This act was originally designed to prevent contractors from selling defective supplies to the Union Army during the Civil War.

143. Whistle-blowers can receive _____ of the monetary restitution collected by the government.
- a. 50 percent to 60 percent
 - b. 10 percent to 20 percent
 - c. 25 percent to 30 percent
 - d. 5 percent to 10 percent

Answer: c

Level: Difficult

Page 59

Reference: Learning Objective 3 / Responsibility Toward Employees

Rationale: If the Justice Department does not intervene, a whistle-blower can proceed with a civil suit; in that case, the whistle-blower receives 25 to 30 percent of the money recovered.

144. In maintaining and reporting its financial status, every corporation must conform to _____.
- a. corporate rules
 - b. the FDA
 - c. GAAP
 - d. AACSP

Answer: c

Level: Difficult

Page 59

Reference: Learning Objective 3 / Responsibility Toward Investors

Rationale: GAAP represents generally accepted accounting principles.

145. IBP, a leading meat-processing firm, has a long record of breaking environmental protection, labor, and food processing laws and then trying to cover up its offenses. IBP has adopted a(n) _____ stance to social responsibility.
- a. accommodative
 - b. obstructionist
 - c. proactive
 - d. defensive

Answer: b

Level: Difficult

Page 60

Reference: Learning Objective 4 / Approaches to Social Responsibility

Rationale: Firms who take this stance do as little as possible to be responsible.

146. Hi-Fly, Inc. was accused of flushing residue from its production processes into a nearby pond on the company's premises. "We own the pond," the owner responded. Which of the following approaches is being taken?
- a. obstructionist
 - b. accommodative
 - c. defensive
 - d. proactive

Answer: a

Level: Difficult

Page 60

Reference: Learning Objective 4 / Approaches to Social Responsibility

Rationale: Individuals taking an obstructionist stance typically deny or attempt to cover up their actions.

147. Wilson Products has installed a low-quality fire alarm in its facility in compliance with local regulations. Don Wilson, the owner, stated, "We've never needed such a system. I didn't want to pay too much for this one." Which of the following stances is being taken?
- a. obstructionist
 - b. accommodative
 - c. defensive
 - d. proactive

Answer: c

Level: Difficult

Page 60

Reference: Learning Objective 4 / Approaches to Social Responsibility

Rationale: Firms taking a defensive stance will do what is required legally but nothing more.

148. Which stance do tobacco companies usually take in their marketing efforts?
- a. accommodative
 - b. defensive
 - c. proactive
 - d. obstructionist

Answer: b

Level: Difficult

Page 60

Reference: Learning Objective 4 / Approaches to Social Responsibility

Rationale: Tobacco companies include warnings to smokers on their products in the United States, where such warnings are required; however, when marketing abroad, tobacco companies often use more aggressive marketing methods.

149. A company adopting a(n) _____ stance to social responsibility would likely install pollution control equipment dictated by the law, but would be unlikely to install higher quality equipment, even if it might further limit pollution.
- a. accommodative
 - b. obstructionist
 - c. proactive
 - d. defensive

Answer: d

Level: Difficult

Page 60

Reference: Learning Objective 4 / Approaches to Social Responsibility

Rationale: A firm taking this stance will do what is legally required of it but nothing more.

150. Acme Inc. meets is legal and ethical requirements. In addition, Acme donates \$50,000 per year to local charities when asked. Which of the following approaches is being taken?
- a. obstructionist
 - b. accommodative
 - c. defensive
 - d. proactive

Answer: b

Level: Difficult

Page 61

Reference: Learning Objective 4 / Approaches to Social Responsibility

Rationale: Firms that adopt an accommodative stance meet legal and ethical requirements but also go further in certain cases.

Short Answer Questions

151. What is meant by *business ethics*?

Possible Answer: *Business ethics* is a term often used to refer to ethical or unethical behaviors by employees in the context of their jobs.

Level: Easy

Page 39

Reference: Learning Objective 1 / Ethics in the Workplace

152. Briefly describe an issue of managerial ethics relating to behavior toward employees.

Possible Answer: Answers will vary; however, many answers will include matters such as hiring, firing, wages, working conditions, privacy, and respect.

Level: Easy

Page 40

Reference: Learning Objective 1 / Business and Managerial Ethics

153. What is a written code of ethics?

Possible Answer: A written code of ethics formally announces a company's intent to do business in an ethical manner.

Level: Easy

Page 44

Reference: Learning Objective 1 / Company Practices and Business Ethics

154. How are social responsibility and ethics related?

Possible Answer: Ethics affect individual behavior in the workplace. Social responsibility is a related concept, but it refers to the overall way in which a business attempts to balance its commitments to relevant groups and individuals in its social environment.

Level: Easy

Page 46

Reference: Learning Objective 1/ Social Responsibility

155. What groups typically comprise organizational stakeholders?

Possible Answer: Such stakeholders include customers, employees, investors, suppliers, and the local community.

Level: Easy

Page 46

Reference: Learning Objective 2 / The Stakeholder Model of Social Responsibility

156. Define *consumerism*.

Possible Answer: Consumerism is social activism dedicated to protecting the rights of consumers in their dealings with businesses.

Level: Easy

Page 54

Reference: Learning Objective 3 / Responsibility Toward Customers

157. What is collusion?

Possible Answer: Collusion occurs when two or more firms agree to collaborate on such wrongful acts as price fixing; price fixing occurs when firms illegally control supplies and prices of products.

Level: Easy

Page 55

Reference: Learning Objective 3 / Responsibility Toward Customers

158. What factors may serve as the basis for social responsibility toward employees?

Possible Answer: Such factors can include a number of human resource management activities: recruiting, selecting, hiring, training, promoting, and compensating.

Level: Easy

Page 57

Reference: Learning Objective 3 / Responsibility Toward Employees

159. What is whistle-blowing?

Possible Answer: Whistle-blowing occurs when employees report unethical acts by their employers to outside regulatory agencies or to the media.

Level: Easy

Page 57

Reference: Learning Objective 3 / Responsibility Toward Employees

160. What is ethical behavior?

Possible Answer: Ethical behavior is behavior that conforms to individual beliefs and social norms about what is right and good. Unethical behavior is behavior that individual beliefs and social norms define as being wrong and bad.

Level: Moderate

Page 39

Reference: Learning Objective 1 / Ethics in the Workplace

161. How can companies promote ethical behavior?

Possible Answer: The single most effective step that a company can take to encourage ethical behavior is to demonstrate top management support. Companies can formalize this commitment through written codes of ethics and ethics training programs.

Level: Moderate

Page 43

Reference: Learning Objective 1 / Company Practices and Business Ethics

162. What is the difference between ethics and social responsibility?

Possible Answer: Ethics are beliefs about what is right and wrong or good and bad. Ethics affect individual behavior in the workplace. Social responsibility refers to the way in which a business tries to balance its commitments to groups and individuals in its social environment.

Level: Moderate

Page 46

Reference: Learning Objective 2 / Social Responsibility

163. When defining its sense of social responsibility, a firm typically confronts what areas of concern?

Possible Answer: A firm typically confronts and has social responsibility for the following five areas: its customers, its employees, its investors, its suppliers, and local communities.

Level: Moderate Page 46

Reference: Learning Objective 2 / The Stakeholder Model of Social Responsibility

164. Identify at least two issues of ethics in advertising.

Possible Answer: Answers will vary but may include (1) controversies surrounding the potential misinterpretation of words and phrases such as light, reduced calorie, diet, and low fat; (2) misleading advertising; and (3) advertising of morally objectionable products.

Level: Moderate Page 56

Reference: Learning Objective 3 / Responsibility Toward Customers

165. What will a social audit reveal?

Possible Answer: A social audit will confirm the success of a company's intended social program; the audit will determine whether a company fell short on its social intentions.

Level: Moderate Page 62

Reference: Learning Objective 4 / Managing Social Responsibility Programs

166. How do issues of social responsibility and ethics affect small business?

Possible Answer: Small businesses must address more or less the same issues as big businesses—differences are primarily differences of scale.

Level: Moderate Page 63

Reference: Learning Objective 5 / Social Responsibility and the Small Business

167. Describe the three-step model for applying ethical judgments.

Possible Answer: The three-step model includes (1) gathering the relevant factual information; (2) determining the most appropriate moral values; and (3) making an ethical judgment based on the rightness or wrongness of the proposed activity or policy.

Level: Difficult Page 41

Reference: Learning Objective 1 / Assessing Ethical Behavior

168. Describe the four ethical norms.

Possible Answer: The norm of utility considers whether an act optimizes the benefits to those who are affected by it. The norm of rights considers whether an act respects the rights of the individuals involved. The norm of justice considers whether the act is consistent with what is fair. The norm of caring considers whether the act is consistent with people's responsibility to each other.

Level: Difficult Page 41

Reference: Learning Objective 1 / Assessing Ethical Behavior

169. What are two of the most common approaches to formalizing top management commitment to ethical business practices?

Possible Answer: Two of the most common approaches are the adopting of written codes of ethics and instituting ethics programs.

Level: Difficult

Page 43

Reference: Learning Objective 1 / Company Practices and Business Ethics

170. How can a firm demonstrate social responsibility to its customers?

Possible Answer: Businesses that demonstrate social responsibility to their customers treat them fairly and honestly by charging fair prices, honoring warranties, meeting delivery commitments, and standing behind the quality of the products that they sell.

Level: Difficult

Page 46

Reference: Learning Objective 2 / The Stakeholder Model of Social Responsibility

171. What are the four basic consumer rights first identified by President John F. Kennedy and now backed by numerous federal and state laws?

Possible Answer: The four basic consumer rights first identified by John F. Kennedy are (1) consumers have a right to safe products; (2) consumers have a right to be informed about all relevant aspects of a product; (3) consumers have a right to be heard; and (4) consumers have a right to choose what they buy.

Level: Difficult

Page 46

Reference: Learning Objective 3 / Responsibility Toward Customers

172. What is insider trading? How does it benefit the investor?

Possible Answer: Insider trading is using confidential information to gain from the purchase or sale of stocks. Confidential information is information that is not available to the general public but that is available to a few people because of their position within a company. Investors with inside information are able to sell a stock at a high price just before a piece of negative information becomes public and the price plummets, thus preventing a big loss. Similarly, an investor with inside information may buy stock at a low price, just before a piece of favorable information becomes public and the price of the stock increases.

Level: Difficult

Page 47

Reference: Learning Objective 3 / Responsibility Toward Investors

173. Identify at least two arguments against social responsibility as a business goal.

Possible Answer: Some skeptics of business-sponsored social projects fear that if businesses become too active, they will gain too much control over the ways in which those projects are addressed by society as a whole. Other critics claim that business organizations lack the expertise needed to address social issues.

Level: Difficult

Page 59

Reference: Learning Objective 4 / Implementing Social Responsibility Programs

174. Name the four most common approaches to social responsibility.

Possible Answer: Companies can take an obstructionist, defensive, accommodative, or proactive stance to social responsibility. Companies adopting an obstructionist stance to social responsibility do as little as possible to solve social and environmental problems and may deny or cover up violations. Companies adopting a defensive stance meet the minimum legal requirements, but typically nothing beyond those actions required by law. Companies adopting an accommodative stance meet all legal requirements and will exceed the legal minimums when solicited by individuals or groups in its social environment. Finally, companies adopting a proactive stance actively seek opportunities to contribute to the well being of groups and individuals in their social environment.

Level: Difficult

Page 60

Reference: Learning Objective 4 / Approaches to Social Responsibility

175. What steps must managers take to foster a company-wide sense of social responsibility?

Possible Answer: Managers must take the following steps to foster a company-wide sense of social responsibility: (1) top management must support the effort and develop a policy statement outlining that commitment; (2) a committee of top managers must develop a plan detailing the level of management support; (3) one executive must be put in charge of the firm's agenda; and (4) the organization must conduct occasional social audits.

Level: Difficult

Page 62

Reference: Learning Objective 4 / Managing Social Responsibility Programs

Essay Questions

176. Describe the stakeholder model of social responsibility.

Possible Answer: Companies that strive to be responsible to their stakeholders concentrate on five main groups: customers, employees, investors, suppliers, and the local communities where they do business. To be responsible toward their customers, businesses strive to be fair in their pricing, honor warranties, meet delivery commitments, and stand behind the quality of their products. Businesses that are socially responsible toward their employees treat them fairly, make them a part of the team, and respect their dignity and basic human needs. To be responsible toward investors, businesses follow proper accounting procedures, provide appropriate information to shareholders about financial performance, and manage the organization to protect shareholders rights and investments. Businesses are responsible toward suppliers when they provide realistic delivery schedules and reduced profit margins; many businesses keep their suppliers informed about future plans and work to partner with them. To be responsible toward communities, businesses often give back through charitable programs and local causes.

Level: Moderate

Page 46

Reference: Learning Objective 2 / The Stakeholder Model of Social Responsibility

177. How do organizations exercise social responsibility toward the environment?

Possible Answer: Many organizations adopt methods that will reduce greenhouse emissions and control pollution. Although noise pollution is now attracting increased concern, air, water, and land pollution remain the greatest problems in need of solutions from businesses. Companies often install pollution-controlling devices that prevent eventual buildup of acid rain. Businesses are also taking advantage of new forms of solid-waste disposal; further, they are working to limit toxic wastes left over from their production processes. Recycling has gained tremendous attention from businesses in recent years; some controversy exists regarding proper recycling since some materials and products do not recycle well.

Level: Moderate **Page** 51

Reference: Learning Objective 3 / Responsibility Toward the Environment

178. How do organizations exercise social responsibility toward customers?

Possible Answer: Much of what organizations do to act responsibly toward customers is driven by the state and federal laws that surround consumer rights. Consumers have the right to safe products, a right to be informed about relevant aspects of a product, a right to be heard, a right to choose what they buy, a right to be educated about purchases, and a right to courteous service. Businesses acting responsibly prevent unfair pricing, which comes in the form of price fixing and/or price gouging. In addition, businesses work to promote ethics in advertising. Increased attention is given to proper wording in ads, to whom ads are directed, contents of packages, proper labeling, as well as to avoiding morally objectionable advertisements.

Level: Moderate **Page** 55

Reference: Learning Objective 3 / Responsibility Toward Customers

179. Explain the steps that an organization must take to foster a company-wide sense of social responsibility.

Possible Answer: Social responsibility must first start at the top. No program can succeed without top management support; top management must issue a statement announcing the commitment. A committee of top managers must then develop a plan detailing the level of management support; some companies set aside percentages of profits for social programs. At this point, managers must set specific priorities. Then, one executive must be put in charge of the firm's agenda; this individual must monitor the program and ensure that its implementation is consistent with the firm's policy statement. The organization must conduct social audits, which are systematic analyses of the firm's success in using funds earmarked for its social responsibility goals. Failing an audit should prompt a rethinking of the program's implementation and its priorities.

Level: Moderate **Page** 62

Reference: Learning Objective 4 / Managing Social Responsibility Programs

180. Describe the four approaches to social responsibility.

Possible Answer: The approaches to social responsibility include the obstructionist stance, the accommodative stance, the defensive stance, and the proactive stance. With an obstructionist stance, an organization usually does as little as possible to solve social or environmental problems. When the organization crosses the ethical or legal line that separates acceptable from unacceptable practices, its typical response is to deny or cover up its actions. With an accommodative stance, a firm meets its legal and ethical requirements but will also go further in certain areas. Such firms voluntarily agree to participate in social programs, for example, but solicitors must convince them that given programs are worthy of

their support. Firms assuming a defensive stance will do everything that is required of them legally but nothing more. This approach is most consistent with arguments against corporate social responsibility. In taking a proactive stance, a firm practices the highest degree of social responsibility. Firms of this nature take to heart the arguments in favor of social responsibility; they see themselves as citizens of society and proactively seek opportunities to contribute.

Level: Difficult

Page 60

Reference: Learning Objective 4 / Approaches to Social Responsibility

Boxed Feature Questions

Entrepreneurship and New Ventures: The Electronic Equivalent of Paper Shredding

181. Why are employers concerned about what messages travel through employee e-mail?

Possible Answer: Many corporations are nervous about the potential liability that employee e-mail may incur. Some activities carried out through e-mail may incriminate the employee as well as his or her employer.

Level: Moderate

Page 47

Reference: Learning Objective 1 / Entrepreneurship and New Ventures: The Electronic Equivalent of Paper Shredding

182. What is an encrypted e-mail message?

Possible Answer: An encrypted e-mail message is configured so that only intended recipients can view it.

Level: Moderate

Page 47

Reference: Learning Objective 3 / Entrepreneurship and New Ventures: The Electronic Equivalent of Paper Shredding

183. How does the product from Tumbleweed Communications benefit managers in corporations?

Possible Answer: Tumbleweed's encryption software searched for banned words and allows for the blocking or rerouting of questionable messages to supervisors for review.

Level: Moderate

Page 47

Reference: Learning Objective 3 / Entrepreneurship and New Ventures: The Electronic Equivalent of Paper Shredding

184. In this scenario, to what does "the electronic equivalent of paper shredding" refer?

Possible Answer: "The electronic equivalent of paper shredding" refers to the ability of senders of e-mail messages to specify an expiration date after which garbled messages can no longer be decrypted.

Level: Moderate

Page 47

Reference: Learning Objective 3 / Entrepreneurship and New Ventures: The Electronic Equivalent of Paper Shredding

Boxed Feature Questions**Say What You Mean: The Ethical Soft Shoe**

185. In what way do American businesses use “incentives” to get things done?

Possible Answer: Many managers in American businesses use the influence of people they know to get things done. This happens in businesses across all industries.

Level: Moderate **Page 42**

Reference: Learning Objective 1 / Say What You Mean: The Ethical Soft Shoe

186. What does *jeitinho* mean?

Possible Answer: *Jeitinho* means “to find a way.”

Level: Moderate **Page 42**

Reference: Learning Objective 1 / Say What You Mean: The Ethical Soft Shoe

187. What does *jeitinho* involve?

Possible Answer: *Jeitinho* may involve the use of personal connections, bending of rules, or the direct payment of a bribe in order to get something done.

Level: Moderate **Page 42**

Reference: Learning Objective 1 / Say What You Mean: The Ethical Soft Shoe

188. Why might it be difficult for an American business to conduct business in a country in which bribes, and *jeitinho*, are acceptable?

Possible Answer: The use of bribes is forbidden in the United States as presented in the Foreign Corrupt Practices Act. However, when conducting business abroad, U.S. companies must still adhere to U.S. law even though foreign corporations may engage in bribes and other unacceptable actions.

Level: Moderate **Page 42**

Reference: Learning Objective 1 / Say What You Mean: The Ethical Soft Shoe

Short Case Scenario

MKD Transportation owns and operates a fleet of container ships and tankers that transport goods around the globe. Company executives have just been contacted by the media with a credible report that one of their ships is leaking an oily substance off the coast of Belize. If true, some of the world’s most beautiful coral reefs could be in danger. On the other hand, the captain of the ship in question has not notified the company of any problem, and cleanup could be very costly. Environmental groups and the government of Belize have demanded that the company admit responsibility and immediately begin cleanup.

189. Managers at MKD claim to exercise ethical behavior toward their employees. What matters might this behavior cover?

Possible Answer: This behavior covers such matters as hiring, firing, wages, working conditions, privacy, respect, and honesty in dealing with them.

Level: Easy **Page 40**

Reference: Learning Objective 1 / Business and Managerial Ethics

190. If MKD were to adopt a written code of ethics, what would it include generally?

Possible Answer: All codes of ethics announce their intent to do business in an ethical manner.

Level: Easy Page 45

Reference: Learning Objective 1 / Company Practices and Business Ethics

191. In an attempt to act socially responsibly toward investors, on what might MKD focus?

Possible Answer: MKD will likely focus on protecting the company's financial resources and guaranteeing proper financial management.

Level: Easy Page 59

Reference: Learning Objective 3 / Responsibility Toward Investors

192. If MKD implements a formal social responsibility program, to what extent will top management be involved?

Possible Answer: To be successful, top management must fully support the program from the very beginning.

Level: Easy Page 62

Reference: Learning Objective 4 / Managing Social Responsibility Programs

193. If the general public were to follow the three-step model for applying ethical judgments to situations, what would the public do?

Possible Answer: The general public would gather relevant factual information. The public would then analyze the facts to determine the appropriate moral values, followed by making ethical judgments based on the rightness or wrongness of MKD's policy.

Level: Moderate Page 41

Reference: Learning Objective 1 / Assessing Ethical Behavior

194. Who are MKD Transportation's stakeholders?

Possible Answer: Stakeholders are those groups, individuals, and organizations that are directly affected by the practices of an organization and who, therefore, have a stake in its performance. MKD's stakeholders would include its employees, its stockholders and investors, its suppliers, its customers, and the communities and countries in which it operates. In this case, the nation of Belize is a stakeholder as are environmental groups who are concerned with the impact of the company's operations on the environment.

Level: Moderate Page 46

Reference: Learning Objective 2 / Social Responsibility

195. What might the general public begin to think about MKD's responsibilities toward the environment?

Possible Answer: MKD's quick response—or lack of one—will determine the public's perceptions of it. Timing is critical at this point.

Level: Moderate Page 51

Reference: Learning Objective 3 / Responsibility Toward the Environment

196. MKD Transportation's managers strongly believe in consumer rights. What does this mean?

Possible Answer: MKD managers recognize that customers have a right to safe products, to be informed and educated about products, to be heard, to choose what they buy, and to courteous service.

Level: Moderate Page 55

Reference: Learning Objective 3 / Responsibility Toward Customers

197. If MKD adopts an obstructionist stance, how will the company respond to this report?

Possible Answer: If MKD uses this approach, executives will likely deny any responsibility when responding to media reports. If possible, they will likely contact the ship's captain and advise him to try to move the ship as soon as possible. It is very unlikely that they will comply with the demands of the government of Belize or environmental groups.

Level: Difficult Page 60

Reference: Learning Objective 4 / Approaches to Social Responsibility

198. If MKD adopts a defensive stance, how will the company respond to this situation?

Possible Answer: MKT will file the necessary reports and perform any cleanup that is legally required. However, they will not exceed the actions required by law.

Level: Difficult Page 60

Reference: Learning Objective 4 / Approaches to Social Responsibility

199. If MKD adopts an accommodative stance, how will the company respond to the media and demands by the government of Belize and environmental groups?

Possible Answer: MKD will likely admit responsibility for the spill and immediately initiate the cleanup. MKD may even make a donation to the local tourist bureau or environmental groups.

Level: Difficult Page 61

Reference: Learning Objective 4 / Approaches to Social Responsibility

200. How might this situation have been different in the event that MKD had initially adopted a proactive stance to social responsibility?

Possible Answer: MKD may have directed its ships to stay clear of environmentally sensitive areas, such as the coast of Belize, even if it lengthened routes and increased costs. They may have also installed extra equipment on their tankers to prevent leaks from occurring and to detect leaks as soon as possible.

Level: Difficult Page 61

Reference: Learning Objective 4 / Approaches to Social Responsibility