

Chapter 2—Business Ethics and Social Responsibility

MATCHING

Complete the following using the terms listed.

a.	Ontario or Alberta Securities Commission
b.	Workers' Compensation Board of Alberta
c.	Corporate philanthropy
d.	integrity
e.	social audit
f.	social responsibility
g.	business ethics
h.	sexual harassment
i.	code of conduct
j.	conflict of interest
k.	product liability
l.	consumerism
m.	Canadian Human Rights Act (CHRA)
n.	whistle-blowing
o.	green marketing

- A formal statement that defines how an organization expects and requires employees to resolve ethical questions is a(n) _____.
- When a publicly traded firm is suspected of unethical or illegal behaviour, the _____ will conduct an investigation.
- A provincial organization responsible for setting workplace safety and health standards is the _____.
- The standards of conduct and moral values governing actions and decisions in the work environment are _____.
- A situation where a business decision may be influenced by the potential for personal gain is a(n) _____.
- Management's acceptance of the obligation to consider profit, consumer satisfaction, and societal well-being of equal value in evaluating the firm's performance is _____.
- Some companies measure social performance by conducting a(n) _____ that identifies and evaluates the company's activities that relate to social issues.
- Inappropriate actions of a sexual nature in the workplace is _____.
- Having _____ means adhering to deeply felt ethical principles in all business situations.
- The _____ prohibits age discrimination except in very specific cases
- _____ refers to businesses giving back to the communities in which they earn profits.
- _____ refers to the responsibility of manufacturers for injuries and damages caused by their goods.
- The public demand that a business consider the wants and needs of its customers when making decisions is referred to as _____.
- _____ is an employee's disclosure to company officials, government authorities, or the media of illegal, immoral, or unethical practices of his or her employer.
- A strategy that emphasizes a firm's commitment to environmentally friendly products and production is _____.

1. ANS: i Pg. 40	DIF: MEDIUM AACSB:	LO: 2.3 How Organizations Shape Ethical Con- Ethics BT: K
2. ANS: a Pg. 56	DIF: MEDIUM AACSB:	LO: 2.4 Acting Responsibly to Satisfy Society Ethics BT: K
3. ANS: b Pg. 52	DIF: MEDIUM AACSB:	LO: 2.4 Acting Responsibly to Satisfy Society Ethics BT: K
4. ANS: g Pg. 32	DIF: MEDIUM AACSB:	LO: 2.1 Concern for Ethical and Societal Issues Ethics BT: K
5. ANS: j Pg. 37	DIF: MEDIUM AACSB:	LO: 2.2 The Contemporary Ethical Environment Ethics BT: K
6. ANS: f Pg. 42	DIF: MEDIUM AACSB:	LO: 2.4 Acting Responsibly to Satisfy Society Ethics BT: K
7. ANS: e Pg. 43	DIF: MEDIUM AACSB:	LO: 2.4 Acting Responsibly to Satisfy Society Ethics BT: K
8. ANS: h Pg. 55	DIF: MEDIUM AACSB:	LO: 2.2 The Contemporary Ethical Environment Ethics BT: K
9. ANS: d Pg. 38	DIF: MEDIUM AACSB:	LO: 2.2 The Contemporary Ethical Environment Ethics BT: K
10. ANS: m Pg. 55	DIF: MEDIUM AACSB:	LO: 2.4 Acting Responsibly to Satisfy Society Ethics BT: K
11. ANS: c Pg.49	DIF: MEDIUM AACSB:	LO: 2.2 Acting responsibly to Satisfy Society Ethics BT: K
12. ANS: k Pg. 50	DIF: MEDIUM AACSB:	LO: 2.4 Acting Responsibly to Satisfy Society Ethics BT: K
13. ANS: l Pg. 50	DIF: MEDIUM AACSB:	LO: 2.2 Acting Responsibly to Satisfy Society Ethics BT: K
14. ANS: n Pg. 43	DIF: MEDIUM AACSB:	LO: 2.2 The Contemporary Ethical Environment Ethics BT: K
15. ANS: o Pg. 53	DIF: MEDIUM AACSB:	LO: 2.4 Acting Responsibly to Satisfy Society Ethics BT: K

ESSAY

16. What are business ethics and why are they important?

ANS:

Business ethics are standards of conduct and moral values that govern actions and decisions in the work environment. They are important because a company cannot prosper in the long run without considering ethics.

DIF: EASY LO: 2.1 Concern for Ethical and Societal Issues
Pg. 32 AACSB: Ethics BT: K

17. Explain how technology has impacted business ethics. Provide a specific example.

ANS:

Technology seems to have expanded the range and impact of unethical behaviour. For instance, technology has made it easier for people to access data from a variety of locations. That, in turn, has increased the potential for someone to steal or manipulate data, or even shut down the system.

DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg. 36 AACSB: Ethics BT: AP

18. Describe the factors that influence business ethics.

ANS:

An individual's business ethic is shaped by a huge number of factors. Experiences help shape responses to different situations. A person's family, educational, cultural, and religious backgrounds also can play a role, as can the environment within the firm. Ethical climate of the company also plays a role.

DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg. 36 AACSB: Ethics BT: AP

19. When does a conflict of interest pose an ethical challenge? How should a conflict of interest be handled?

ANS:

A conflict of interest exists when a person is faced with a situation in which an action benefiting one person or group has the potential to harm another. A conflict of interest can pose an ethical challenge when it involves the person's own interests and someone to whom he or she has a duty. The best way to handle a potential conflict of interest is to avoid it and/or to disclose it.

DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg. 37 AACSB: Ethics BT: AP

20. How could loyalty versus truth create an ethical dilemma for a businessperson?

ANS:

Businesses expect their employees to be loyal and to act in the best interests of the company. An ethical conflict can arise when an individual must decide between loyalty to the company and truthfulness in business relationships.

DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg. 38 AACSB: Ethics BT: AP

21. . What is "whistleblowing"? How are whistle-blowers protected in Canada?

ANS:

Whistleblowing is usually an employee's disclosure to company officials, government authorities, or the media of illegal, immoral, or unethical practices. Although no specific law protects whistle-blowers in Canada, many Canadian companies have policies to protect whistle-blowers.

DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg. 39 AACSB: Ethics BT: AP

22. Why is it important for a company to create and communicate a code of conduct?

ANS:

A code of conduct defines how an organization expects its employees to resolve ethical issues. It improves ethical awareness among employees, helps them identify ethical problems when they occur, and provides guidance about how they should respond.

DIF: MEDIUM LO: 2.3 How Organizations Shape Ethical Conduct
Pg. 40 AACSB: Ethics BT: AP

23. The development of a corporate culture to support business ethics happens on four levels. Explain each of the four levels.

ANS:

Ethical awareness is the foundation of an ethical climate. Employees need help in identifying ethical problems and need guidance in how to respond. Ethical reasoning involves ethics training programs to provide employees with the tools they need to evaluate ethical dilemmas and arrive at suitable decisions. Ethical action involves the structures and procedures that firms establish to enable their employees to follow ethical behaviour. Companies encourage ethical action by providing support for employees faced with dilemmas, such as an employee hotline. Ethical leadership charges each employee at every level with the responsibility for being an ethical leader. This principle requires that all employees be personally committed to the company's core values and be willing to base their actions on them.

DIF: HARD LO: 2.3 How Organizations Shape Ethical Conduct
Pg. 39 AACSB: Ethics BT: AP

24. Why is ethical leadership so important?

ANS:

Without supervisors and managers demonstrating ethical behaviour, employees are not as likely to follow a set of ethical standards. An important way for business leaders to demonstrate ethical behaviour is to admit when they are wrong and correct their organization's mistakes. Companies where managers set good examples have fewer incidences of unethical behaviour, and employees report higher levels of satisfaction.

DIF: MEDIUM LO: 2.3 How Organizations Shape Ethical Conduct
Pg. 42 AACSB: Ethics BT: AP

25. Explain the social responsibilities of a business and how it must balance qualitative and quantitative standards of measurement.

ANS:

Social responsibility is the management's acceptance of the obligation to consider profit, consumer satisfaction, and societal well-being of equal value in evaluating the firm's performance. It is the recognition that a business must be concerned with the qualitative dimensions of consumer, employee, and societal benefits, as well as the quantitative measures of sales and profits.

DIF: HARD LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 42 AACSB: Ethics BT: K

26. What is a social audit? Who conducts one?

ANS:

A social audit is a formal procedure to identify and evaluate all company activities that relate to social issues such as conservation, employment practices, environmental protection, and philanthropy. The audit informs management about how well the company is performing in these areas. Social audits often are conducted internally by firms. Outside groups, such as environmental organizations and public-interest groups, also conduct social audits.

DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 43 AACSB: Ethics BT: K

27. What is green marketing?

ANS:

Green marketing is a marketing strategy that promotes environmentally friendly products and production methods. The Federal Trade Commission (FTC) has issued guidelines for businesses to follow in making environmental claims.

DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 47 AACSB: Analytic BT: K

28. What are the objectives of the consumerism movement?

ANS:

Consumerism refers to the movement calling for businesses to consider the needs of consumers when making decisions. U.S. President Kennedy summarized many of the ideals of the consumerism movement in a speech in which he listed four basic consumer rights: the right to safety, the right to be informed, the right to choose, and the right to be heard.

DIF: HARD LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 50 AACSB: Reflective Thinking BT: AP

29. List the major responsibilities a business has to its workers.

ANS:

The major responsibilities to workers are providing a safe work environment; recognizing quality of life issues; ensuring equal employment opportunity; and prohibiting age discrimination, sexual harassment, and sexism.

DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 52 AACSB: Ethics BT: K

30. Explain how the Canadian Charter of Rights and Freedoms addresses discrimination in Canada.

ANS:

The Canadian Charter of Rights and Freedoms in Section 15 states: "Every individual is equal before and under the law and has the right to the equal protection and equal benefit of the law without discrimination and, in particular, without discrimination based on race, national or ethnic origin, colour, religion, sex, age or medical or physical disability."

DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society

31. Why do investors expect a firm to act ethically and exhibit social responsibility?

ANS:

Even though the primary purpose of a firm is to make a profit, investors also expect the firm to act ethically, as well as legally, and exhibit social responsibility. Investors know that the failure of a firm to act ethically, legally, or without a sense of social responsibility can result in substantial monetary losses to investors. For instance, ethical or legal problems can cause a sudden and substantial drop in a company's stock price.

DIF: MEDIUM LO: 2.5 Responsibilities to Investors and the Financial Community
Pg.56 AACSB: Ethics BT: K

32. Explain how a company's unethical behaviour can actually decrease the value of its business.

ANS:

Although a fundamental goal of any business is to make a profit for its shareholders, the financial community demands that businesses behave ethically, as well as legally. When a firm fails in this responsibility (as evidenced by several recent corporate scandals), thousands of employees, investors, and consumers can suffer. Shareholders lose confidence in the company and sell shares, which deflate share value and, consequently, company value.

DIF: MEDIUM LO: 2.5 Responsibilities to Investors and the Financial Community
Pg. 56 AACSB: Ethics BT: AP

MULTIPLE CHOICE

33. A company removes a profitable product from the market because it may be dangerous. This company is demonstrating _____.

a.	ethical behaviour
b.	green marketing
c.	conflict of interest
d.	social welfare

ANS: a DIF: MEDIUM LO: 2.1 Concern for Ethical and Societal Issues
Pg.32 AACSB: Ethics BT: AP

34. Business ethics begins with _____.

a.	the individual employee
b.	the government
c.	a firm's investors
d.	a firm's customers

ANS: a DIF: MEDIUM LO: 2.1 Concern for Ethical and Societal Issues
Pg. 33 AACSB: Ethics BT: AP

35. When management considers social and economic issues in decision making, the company is practicing _____.

a.	business ethics
b.	social responsibility
c.	consumerism
d.	social welfare

ANS: b DIF: EASY LO: 2.1 Concern for Ethical and Societal Issues
Pg. 42 AACSB: Ethics BT: K

36. Businesses have responsibilities to _____.

a.	investors only
b.	investors and customers
c.	investors, customers, and employees
d.	investors, customers, employees, and society

ANS: d DIF: EASY LO: 2.1 Concern for Ethical and Societal Issues
Pg. 44 AACSB: Ethics BT: K

37. Which of the following statements best justifies why a company should act in an ethical manner?

a.	The government will take action if a firm fails to act ethically.
b.	Acting ethically always maximizes profits in the short run.
c.	Acting ethically will help a company to prosper in the long run.
d.	The right thing to do is always the least expensive alternative.

ANS: c DIF: HARD LO: 2.1 Concern for Ethical and Societal Issues
Pg. 42 AACSB: Ethics BT: AP

38. Businesses should _____.

a.	do what is right regardless of profits
b.	find the balance between doing what is right and what is profitable
c.	do whatever is profitable
d.	do whatever is in the company's best interests

ANS: b DIF: EASY LO: 2.1 Concern for Ethical and Societal Issues
Pg. 33 AACSB: Ethics BT: K

39. Which of the following statements is correct?

a.	Setting ethical standards is easy.
b.	Setting ethical standards is always clear-cut.
c.	Doing what is right can sometimes be difficult.
d.	Social and ethical problems affect only a few companies.

ANS: c DIF: EASY LO: 2.1 Concern for Ethical and Societal Issues
Pg. 33 AACSB: Ethics BT: AP

40. In today's business environment, who can make the difference in ethical expectations and behaviour?

a.	everyone
b.	no one
c.	only top-level managers
d.	only the CEO

ANS: a DIF: EASY LO: 2.2 The Contemporary Ethical Environment
Pg. 33 AACSB: Ethics BT: K

41. Conflicts of interest can be handled ethically by

a.	disclosing them
b.	ignoring them
c.	hiding them
d.	doing what everyone else in the organization does in similar situations

ANS: a DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg.37 AACSB: Ethics BT: K

42. _____ are responsible for conducting employee training programs that help spot potential fraud and abuse within a firm.

a.	Ethics compliance officers
b.	Social behaviourists
c.	Human Resource managers
d.	Department supervisors

ANS: a DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg.35 AACSB: Ethics BT: K

43. Which of the following is not an example of unethical or illegal acts in the workplace?

a.	safety violations
b.	Internet abuse
c.	misreporting time on the job
d.	whistle-blowing

ANS: d DIF: HARD LO: 2.2 The Contemporary Ethical Environment
Pg.39 AACSB: Ethics BT: K

44. Technology has _____ ethical issues.

a.	expanded the range of
b.	reduced the range of
c.	made little difference on the range of
d.	eliminated most

ANS: a DIF: EASY LO: 2.2 The Contemporary Ethical Environment
Pg. 36 AACSB: Technology BT: K

45. Which of the following is not a factor in determining an individual's ethical development?

a.	experiences
b.	religion
c.	culture
d.	social audit

ANS: d DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg. 36 AACSB: Communication BT: AP

46. Many people rationalize unethical acts because they _____.

a.	know they can get away with it
b.	are fundamentally unethical
c.	have no personal or moral values
d.	feel pressured on their jobs to meet performance goals

ANS: d DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg. 37 AACSB: Ethics BT: AP

47. The foundation of an ethical climate is

a.	ethical leadership
b.	ethical action
c.	ethical awareness
d.	ethical reasoning

ANS: c DIF: MEDIUM LO: 2.3 How Organizations Shape Ethical Conduct
Pg. 40 AACSB: Ethics BT: AP

48. A Code of Ethics best contributes to

a.	ethical leadership
b.	ethical action
c.	ethical reasoning
d.	ethical awareness

ANS: d DIF: MEDIUM LO: 2.3 How Organizations Shape Ethical Conduct
Pg. 40 AACSB: Ethics BT: K

49. An employee hotline, a telephone number that employees can call anonymously for advice or to report unethical behaviour they have seen is intended to support

a.	ethical leadership
b.	ethical reasoning
c.	ethical action
d.	ethical awareness

ANS: c DIF: EASY LO:
2.3 How Organizations Shape Ethical Conduct
Pg.41 AACSB: Ethics BT: K

50. Which one of the following is not typically considered as a firm's stakeholder?

a.	shareholders
b.	suppliers
c.	employees
d.	government

ANS: d DIF: HARD LO: 2.3 How Organizations Shape Ethical Conduct
Pg. 42 AACSB: Ethics BT: AP

51. Subway's use of Jared Fogle was in response to which one of the following business social responsibilities?

a.	Customers
b.	Employees
c.	investors
d.	General public

ANS: d DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg.44 AACSB: Ethics BT: K

52. According to Statistics Canada, the diversion of discarded electronic items away from landfill sites has increased by _____ in two years.

a.	115 percent
b.	100 percent
c.	50 percent
d.	130 percent

ANS: a DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg.47 AACSB: Ethics BT: AP

53. If a product or package can biodegrade, generating a relatively homogenous and stable humus-like substance, the Competition Bureau of Canada would consider the product to be

a.	degradable
b.	compostable
c.	recyclable
d.	refillable

ANS: b DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg.48 AACSB: Ethics BT: AP

54. If a product or package is able to be processed and returned to use in the form of raw materials or products, the Competition Bureau of Canada would consider the product to be

a.	degradable
b.	deplorable
c.	compostable
d.	recyclable

ANS: d DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg.48 AACSB: Ethics BT: AP

55. The Canadian legislation that contains provisions against false or misleading product representations is

a.	The Canadian Charter of Human Rights and Freedoms
b.	The Competition Act
c.	The Employment Equity Act
d.	The Canadian Human Rights Act

ANS: b DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg.51 AACSB: Ethics BT: AP

56. Sofia is an investment advisor and wants to recommend a stock she happens to own. How should Sofia best deal with this potential conflict of interest?

a.	She should not make the recommendation.
b.	She should make a negative recommendation.
c.	She should disclose the fact that she owns the stock while making the recommendation.
d.	She should make a positive recommendation and then sell the stock.

ANS: c DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg.37 AACSB: Ethics BT: AP

57. Tanisha is a diabetes educator at a local clinic. Recently, she was offered a lavish trip by a sales representative who has been pushing the clinic to use his company's diabetes supplies. Tanisha declined the gift. Which ethical challenge did she face?

a.	whistle-blowing
b.	honesty and integrity
c.	cultural consequences
d.	conflict of interest

ANS: d DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg. 37 AACSB: Ethics BT: AP

58. How should a businessperson deal with a conflict of interest?

a.	ignore it
b.	send an email to his/her manager
c.	disclose it or avoid it
d.	report it only to close friends

ANS: c DIF: EASY LO: 2.2 The Contemporary Ethical Environment
Pg. 37 AACSB: Ethics BT: K

59. Outside auditors are examining your company's financial records. You know there may be an error and will tell them about it but only if they ask. They do not ask. In this scenario, your _____ could be questioned.

a.	loyalty
b.	truthfulness
c.	integrity

d.	social responsibility
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ANS: c DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg. 38 AACSB: Ethics BT: AP

60. During a meeting with government regulators, Nicole voluntarily points out a potential problem with a new product her company is testing. Nicole has shown _____.

a.	honesty
b.	loyalty
c.	truthfulness
d.	integrity

ANS: d DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg. 38 AACSB: Ethics BT: AP

61. Bob takes responsibility for an error made by his assistant on a project. Bob has shown _____.

a.	integrity
b.	honesty
c.	truthfulness
d.	loyalty

ANS: a DIF: EASY LO: 2.2 The Contemporary Ethical Environment
Pg. 38 AACSB: Ethics BT: AP

62. Embellishing your résumé shows a lack of _____ and _____.

a.	honesty and loyalty
b.	honesty and integrity
c.	integrity and loyalty
d.	competence and loyalty

ANS: b DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg. 38 AACSB: Ethics BT: K

63. _____ goes beyond truthfulness.

a.	Honesty
b.	Loyalty
c.	Integrity
d.	Competence

ANS: c DIF: EASY LO: 2.2 The Contemporary Ethical Environment
Pg. 38 AACSB: Ethics BT: K

64. Harold knows of a defect in a product his company sells. He will disclose the defect but only if the customer specifically asks about it. Harold's _____ could be called into question.

a.	loyalty
b.	truthfulness
c.	integrity
d.	whistle-blowing

ANS: c DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg. 38 AACSB: Ethics BT: AP

65. Mica learns that her company is secretly dumping untreated waste into the city sewer systems, and she informs the local EPA office. All of the following describe Mica's ethical situation EXCEPT:

a.	She is acting as a whistle-blower.
b.	She has a conflict of interest.
c.	She is showing integrity.
d.	She is showing loyalty.

ANS: d DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg. 38 AACSB: Ethics BT: AP

66. Your supervisor asks you to conceal information from outside auditors examining the company's financial records. What is your ethical challenge?

a.	loyalty versus truth
b.	conflict of interest
c.	honesty and integrity
d.	You have no ethical challenge.

ANS: a DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg. 38 AACSB: Ethics BT: AP

67. Mike was a foreman at Hi-Way Construction and discovered his company was deliberately using faulty materials for a project. Although Mike was worried about his family's financial security if he lost his job, he went to authorities and informed them of the potentially dangerous construction. Mike's action is called _____.

a.	ethical compliance
b.	good intentions
c.	whistle-blowing
d.	ethical allegations

ANS: c DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg. 39 AACSB: Ethics BT: AP

68. Development of a corporate culture to support business ethics occurs on each of the following levels EXCEPT ethical _____.

a.	leadership
b.	awareness
c.	success
d.	reasoning

ANS: c DIF: MEDIUM LO: 2.3 How Organizations Shape Ethical Conduct
Pg. 39 AACSB: Ethics BT: K

69. _____ requires that firms in the private sector provide procedures for anonymous reporting of accusations of fraud.

a.	Americans with Disabilities Act
b.	Sarbanes-Oxley Act
c.	Consumer Rights Act
d.	Title VII

ANS: b DIF: MEDIUM LO: 2.3 How Organizations Shape Ethical Conduct

Pg. 35 AACSB: Ethics BT: K

70. A formal statement that defines how the organization expects and requires employees to resolve ethical questions is _____.

a.	a code of conduct
b.	an organizational culture
c.	social responsibility statement
d.	an ethical environmental statement

ANS: a DIF: MEDIUM LO: 2.3 How Organizations Shape Ethical Conduct

Pg. 40 AACSB: Ethics BT: K

71. Which of the following can improve ethical reasoning in a company?

a.	whistle-blowing
b.	practical training sessions
c.	mission statement
d.	organizational culture

ANS: b DIF: EASY LO: 2.3 How Organizations Shape Ethical Conduct

Pg. 41 AACSB: Ethics BT: K

72. Macrohard, Inc. provides support for employees faced with ethical dilemmas. An ethics officer is available in the Human Resources office or through an employee hotline. This is an example of ethical _____.

a.	whistle-blowing
b.	awareness
c.	action
d.	reasoning

ANS: c DIF: HARD LO: 2.3 How Organizations Shape Ethical Conduct

Pg.41 AACSB: Ethics BT: AP

73. After meeting with employees, a manager realizes she has set performance goals unrealistically high for her department's employees. If she makes employee performance goals more realistic, what will likely happen to the department's ethical climate?

a.	It will improve.
b.	It will stay about the same.

c.	It will deteriorate.
d.	Not enough information is provided to determine the effect.

ANS: a DIF: MEDIUM LO: 2.3 How Organizations Shape Ethical Conduct

Pg. 42 AACSB: Ethics BT: AP

74. Ethical _____ charges each employee personally to uphold the company's core values and be willing to base their actions on them.

a.	leadership
b.	awareness
c.	action
d.	reasoning

ANS: a DIF: MEDIUM LO: 2.3 How Organizations Shape Ethical Conduct

Pg. 42 AACSB: Ethics BT: K

75. The sales manager decides to double each salesperson's monthly quota. What impact is this action likely to have on the company's ethical climate?

a.	It will improve.
b.	It will remain the same.
c.	It will deteriorate.
d.	Not enough information is provided to determine the effect.

ANS: c DIF: MEDIUM LO: 2.3 How Organizations Shape Ethical Conduct

Pg. 42 AACSB: Ethics BT: AP

76. Jack Welch, former CEO of General Electric, is respected in business circles for focusing his company on the welfare of its customers and investors, and for ensuring GE would thrive in the long run. This type of environment is an example of ethical _____.

a.	leadership
b.	action
c.	awareness
d.	reasoning

ANS: a DIF: MEDIUM LO: 2.3 How Organizations Shape Ethical Conduct

Pg. 42 AACSB: Ethics BT: AP

77. Which of the following would be LEAST likely to be a factor in evaluating a firm's social performance?

a.	providing a safe, healthy workplace
b.	respecting the cultural diversity of employees
c.	holding company-sponsored social events
d.	producing safe, high-quality products

ANS: c DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 43 AACSB: Ethics BT: AP

78. Businesses exercise social responsibility for all of the following reasons EXCEPT _____.

a.	stakeholders expect it
b.	profits are guaranteed
c.	the company's image is enhanced
d.	management believes it is the ethical course of action

ANS: b DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 43 AACSB: Ethics BT: K

79. When Target donates 5 percent of its federally taxable income to nonprofit groups, the company is highlighting its _____.

a.	social audit
b.	code of conduct
c.	business ethics
d.	social responsibility

ANS: d DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 42 AACSB: Ethics BT: AP

80. A formal procedure that identifies and evaluates all company activities relating to social issues is known as a(n) _____.

a.	ethical profile
b.	social audit
c.	social inventory
d.	mission analysis

ANS: b DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 43 AACSB: Ethics BT: K

81. In addition to financial assessments, Dominic has arranged for his company to conduct a(n) _____ to evaluate activities that relate to social issues, such as employment practices, environmental protection, and philanthropy.

a.	social audit
b.	EEOC evaluation
c.	code of conduct
d.	social responsibility inventory

ANS: a DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 43 AACSB: Ethics BT: AP

82. The Wright Tire Co. uses a company-wide team of employees to identify company activities related to social issues, report on how the firm is responding to those issues, and evaluate how effectively the firm has met those issues. The Wright Tire team is conducting a(n) _____.

a.	environmental impact audit
b.	government-mandated audit
c.	internal accounting audit
d.	social audit

ANS: d DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 43 AACSB: Ethics BT: AP

83. The _____ of a coffee-growing company include its employees, customers, suppliers, and the community members where the company is located.

a.	social responsibility
b.	corporate philanthropy
c.	social audit
d.	stakeholders

ANS: d DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 42 AACSB: Ethics BT: AP

84. Reprocessing used materials so that they can be reused is known as _____.

a.	rotation
b.	recycling
c.	ecology
d.	conversion

ANS: b DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 46 AACSB: Analytic BT: K

85. A strategy that promotes environmentally friendly products and production methods is called _____.

a.	consumerism
b.	recycling
c.	ethical awareness
d.	green marketing

ANS: d DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 47 AACSB: Analytic BT: K

86. Timberland Company allows its employees to take paid six-month sabbatical leaves to work for nonprofit organizations. This is an example of _____.

a.	whistle-blowing
b.	green marketing
c.	corporate philanthropy
d.	consumerism

ANS: c DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 49 AACSB: Analytic BT: K

87. All of the following are examples of corporate philanthropy EXCEPT _____.

a.	supporting the local public radio station
b.	sponsoring a Red Cross blood drive

c.	paying local property taxes
d.	giving employees release time to participate in volunteer activities

ANS: c DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 49 AACSB: Reflective Thinking BT: AP

88. During the Olympics, several Nike ads were aired that demonstrated the company's sponsorship of various events. Nike was using _____ to align their marketing efforts with charitable giving.

a.	business ethics
b.	cause-related marketing
c.	social responsibility
d.	ethical awareness

ANS: b DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 49 AACSB: Reflective Thinking BT: AP

89. The public demand that businesses give proper consideration to consumer wants and needs in making its decisions is known as _____.

a.	consumerism
b.	political activism
c.	conservation
d.	ethics

ANS: a DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 50 AACSB: Analytic BT: K

90. Consumer Rights include all of the following EXCEPT the right to _____.

a.	boycott
b.	choose
c.	be heard
d.	be informed

ANS: a DIF: HARD LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 50 AACSB: Analytic BT: K

91. The _____ defines the standards for safety and advertising to be followed by makers of drugs, cosmetics and therapeutic devices

a.	Food and Drug Act
b.	Occupational Safety and Health Administration (OSHA)
c.	Consumer Compliance
d.	Securities and Exchange Commission (SEC)

ANS: a DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 51 AACSB: Analytic BT: K

92. Which act requires that all ingredients be listed on product labels so consumers are fully informed?

a.	FDA
b.	EEA
c.	CHRA
d.	CCOHS

ANS: a DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg.51 AACSB: Analytic BT: K

93. The doctrine of “the right to be heard” would be best reflected by _____.

a.	product safety
b.	disclosure of true annual interest rates on revolving charge accounts
c.	disclosure of sodium content on labels of processed foods
d.	a firm establishing a consumer appeals board

ANS: d DIF: HARD LO: 2.4 Acting Responsibly to Satisfy Society
Pg.51 AACSB: Reflective Thinking BT: AP

94. All of the following are current social issues related to business’s responsibilities to employees EXCEPT _____.

a.	sexual harassment
b.	discrimination against workers over 40 years of age
c.	discrimination against workers under 40 years of age
d.	quality of life issues

ANS: c DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg.52 AACSB: Analytic BT: K

95. All of the following groups are specifically identified by federal Employment Equity Act EXCEPT _____.

a.	women
b.	members of minority groups
c.	members of religious groups
d.	obese persons

ANS: d DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg.54 AACSB: Diversity BT: K

96. Rene’s boss has offered him a raise if Rene agrees to spend the night with her. This is an example of:

a.	social responsibility
b.	sexual harassment
c.	sexism
d.	whistle-blowing

ANS: b DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 55 AACSB: Diversity BT: K

97. On average, women with a college degree earn less money than men with a college degree. This is an example of:

a.	social responsibility
b.	sexual harassment
c.	sexism
d.	whistle-blowing

ANS: c DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 56 AACSB: Diversity BT: K

98. Companies that adhere to high ethical standards _____.

a.	often make poorer investments in the long run
b.	often make better investments in the long run
c.	always make higher profits
d.	always make lower profits

ANS: b DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 63 AACSB: Ethics BT: AP

TRUE/FALSE

99. Social and ethical issues are a bigger concern in smaller companies than larger companies

ANS: F DIF: EASY LO: 2.1 Concern for Ethical and Societal Issues
Pg. 32 AACSB: Ethics BT: K

100. Organizations wishing to prosper cannot do so without considering business ethics.

ANS: T DIF: EASY LO: 2.1 Concern for Ethical and Societal Issues
Pg. 32 AACSB: Ethics BT: K

101. The Sarbanes-Oxley Act requires that each member of a firm's Board of Directors certify the truthfulness of financial statements.

ANS: F DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg. 35 AACSB: Ethics BT: K

102. Teresa discovered unlawful conduct at her company and notified authorities. Under the Sarbanes-Oxley Act of 2002, anyone who retaliates against Teresa can be prosecuted.

ANS: T DIF: HARD LO: 2.2 The Contemporary Ethical Environment
Pg. 35 AACSB: Ethics BT: AP

103. Halting the production and sale of a potentially dangerous product, even if it hurts profits, is an example of ethical behaviour.

ANS: T DIF: MEDIUM LO: 2.1 Concern for Ethical and Societal Issues
Pg. 35 AACSB: Ethics BT: AP

104. Fundamentally, a business is responsible only to its customers and investors.

ANS: F DIF: MEDIUM LO: 2.1 Concern for Ethical and Societal Issues
Pg.35 AACSB: Ethics BT: AP

105. Companies that put profits ahead of safety are using a stakeholder model of business ethics.

ANS: F DIF: HARD LO: 2.3 How Organizations Shape Ethical Conduct
Pg.42 AACSB: Ethics BT: AP

106. Businesses must find a balance between doing what is right and doing what is profitable.

ANS: T DIF: EASY LO: 2.1 Concern for Ethical and Societal Issues
Pg.33 AACSB: Ethics BT: K

107. Setting appropriate ethical standards is a fairly straightforward task for most managers.

ANS: F DIF: EASY LO: 2.1 Concern for Ethical and Societal Issues
Pg.33 AACSB: Ethics BT: K

108. The legal requirements of the Sarbanes-Oxley Act vary from state to state.

ANS: F DIF: EASY LO: 2.2 The Contemporary Ethical Environment
Pg.35 AACSB: Ethics BT: K

109. Individual employees have a major influence over ethical expectations and behaviour.

ANS: T DIF: EASY LO: 2.2 The Contemporary Ethical Environment
Pg.35 AACSB: Ethics BT: K

110. An individual employee acting ethically will have little influence on his or her coworkers.

ANS: F DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg.35 AACSB: Ethics BT: AP

111. Technology has expanded the range and impact of unethical behaviour.

ANS: T DIF: EASY LO: 2.2 The Contemporary Ethical Environment
Pg.36 AACSB: Technology BT: K

112. Some employees rationalize questionable or unethical behaviour by saying, "Everyone does it."

ANS: T DIF: EASY LO: 2.2 The Contemporary Ethical Environment
Pg.36 AACSB: Ethics BT: K

113. Bill 198 of 2003 is the Canadian version of the Sarbanes-Oxley Act of 2002.

ANS: T DIF: EASY LO: 2.2 The Contemporary Ethical Environment
Pg.35 AACSB: Ethics BT: K

114. Some people engage in activities that are contrary to their personal and moral values because they feel pressured by their jobs.

ANS: T DIF: EASY LO: 2.2 The Contemporary Ethical Environment
Pg.37 AACSB: Ethics BT: K

115. A recent study found that 49 percent of employees surveyed “witnessed misconduct on the job” in 2009, an increase over 2007.

ANS: F DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg.35 AACSB: Ethics BT: K

116. Walmart’s survey of its suppliers about their sustainability practices was a first step in developing a “sustainability index”.

ANS: T DIF: EASY LO: 2.2 The Contemporary Ethical Environment
Pg.35 AACSB: Ethics BT: K

117. It is not always easy to distinguish between right and wrong in many business situations.

ANS: T DIF: EASY LO: 2.2 The Contemporary Ethical Environment
Pg.37 AACSB: Ethics BT: K

118. On-the-job ethical dilemmas are very rare but can be quite significant.

ANS: F DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg.37 AACSB: Ethics BT: AP

119. An advertising agency representing two companies that compete with one another has an obvious conflict of interest.

ANS: T DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg.37 AACSB: Ethics BT: AP

120. A conflict of interest exists when a person is faced with a decision in which an action will harm one individual or group while benefiting another.

ANS: T DIF: EASY LO: 2.2 The Contemporary Ethical Environment
Pg.37 AACSB: Ethics BT: K

121. A real estate agent who represents both the buyer and seller most likely faces a conflict of interest.

ANS: T DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg.37 AACSB: Ethics BT: AP

122. The only safe way to handle a potential conflict of interest is to avoid situations in which one might occur.

ANS: F DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment

Pg.37 AACSB: Ethics BT: K

123. Integrity goes beyond truthfulness.

ANS: T DIF: EASY LO: 2.2 The Contemporary Ethical Environment
Pg.38 AACSB: Ethics BT: K

124. Adhering to deeply felt ethical principles in business situations is known as loyalty.

ANS: F DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg.38 AACSB: Ethics BT: K

125. Employers expect employees to generally act in the best interests of the organization.

ANS: T DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg.38 AACSB: Ethics BT: AP

126. In the real world of business, loyalty and honesty rarely conflict with one another.

ANS: F DIF: EASY LO: 2.2 The Contemporary Ethical Environment
Pg.38 AACSB: Ethics BT: K

127. Employees should always be loyal, regardless of the situation.

ANS: F DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg.38 AACSB: Ethics BT: AP

128. An employee who “goes public” with evidence of improper actions by his or her employer is known as a whistle-blower.

ANS: T DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg.39 AACSB: Ethics BT: AP

129. Whistle-blowers always act out of self-interest.

ANS: F DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg.39 AACSB: Ethics BT: AP

130. Loyal employees would never be whistle-blowers.

ANS: F DIF: MEDIUM LO: 2.2 The Contemporary Ethical Environment
Pg.39 AACSB: Ethics BT: AP

131. Ethics compliance officers are responsible for conducting employee training programs that help identify potential fraud and abuse within the firm, investigating sexual harassment and discrimination charges, and monitoring any potential conflicts of interest.

ANS: T DIF: EASY LO: 2.3 How Organizations Shape Ethical Conduct
Pg.41 AACSB: Ethics BT: K

132. A code of conduct is a formal document that identifies and evaluates all company activities related to social issues, such as conservation, employment practices, environmental protection, and philanthropy.
- ANS: F DIF: EASY LO: 2.3 How Organizations Shape Ethical Conduct
Pg.40 AACSB: Ethics BT: K
133. If companies provide a code of conduct and ethical training, there is no need to hire a compliance officer or to provide an anonymous employee hotline to report unethical behaviour they have witnessed.
- ANS: F DIF: MEDIUM LO: 2.3 How Organizations Shape Ethical Conduct
Pg.40 AACSB: Ethics BT: AP
134. One of the first steps in the establishment of sound business ethics is to help employees identify ethical problems when they occur.
- ANS: T DIF: EASY LO: 2.3 How Organizations Shape Ethical Conduct
Pg.41 AACSB: Ethics BT: K
135. Formally stating that employees must not discriminate on the basis of race, gender, or age in their dealings with customers is something that could be found in a company code of conduct.
- ANS: T DIF: MEDIUM LO: 2.3 How Organizations Shape Ethical Conduct
Pg.41 AACSB: Diversity BT: AP
136. A code of conduct rarely goes beyond stating the rules, laws, and regulations employees are expected to follow.
- ANS: F DIF: EASY LO: 2.3 How Organizations Shape Ethical Conduct
Pg.41 AACSB: Ethics BT: K
137. A code of conduct is part of the ethical awareness stage of ethical development.
- ANS: T DIF: EASY LO: 2.3 How Organizations Shape Ethical Conduct
Pg.41 AACSB: Ethics BT: K
138. Many ethical dilemmas involve gray areas that may require individuals to sort through several courses of actions, each with its own set of consequences.
- ANS: T DIF: EASY LO: 2.3 How Organizations Shape Ethical Conduct
Pg. 45 AACSB: Ethics BT: K
139. Starbucks' effort to go green with recyclable cups is an example of social responsibility.

ANS: T DIF: MEDIUM LO: 2.3 How Organizations Shape Ethical Conduct
Pg.42 AACSB: Ethics BT: AP

140. A manager who doubles employee performance goals every quarter most likely will see an increase in the number of ethically questionable actions by employees.

ANS: T DIF: MEDIUM LO: 2.3 How Organizations Shape Ethical Conduct
Pg.41 AACSB: Ethics BT: AP

141. If managers and supervisors fail to show ethical leadership, it is unrealistic to expect employees to behave ethically.

ANS: T DIF: EASY LO: 2.3 How Organizations Shape Ethical Conduct
Pg.42 AACSB: Ethics BT: K

142. A company's CEO alone determines the ethical climate of the business.

ANS: F DIF: EASY LO: 2.3 How Organizations Shape Ethical Conduct
Pg.42 AACSB: Ethics BT: K

143. Social responsibility is management's acceptance of the obligation to consider societal well-being and consumer satisfaction as being equally important as profit when evaluating the firm's performance.

ANS: T DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg.42 AACSB: Ethics BT: K

144. The primary social responsibility of a company is to its customers.

ANS: F DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg.44 AACSB: Ethics BT: K

145. Many electric products contain toxins such as lead and mercury and are difficult to reuse or recycle.

ANS: T DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg.46 AACSB: Ethics BT: K

146. A social audit is used to measure a company's social responsibility performance.

ANS: T DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg.43 AACSB: Ethics BT: K

147. External groups often conduct their own evaluations of businesses, but firms typically ignore these reports in favour of internal evaluations.

ANS: F DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg.43 AACSB: Reflective Thinking BT: AP

148. Social audits conducted internally are of no value because they are always biased in favour of the company.

ANS: F DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg.43 AACSB: Ethics BT: AP

149. Although social responsibility in a business is commendable, most companies are not judged by their interactions within the community.

ANS: F DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg.43 AACSB: Ethics BT: K

150. Social audits are informal business surveys that report customer satisfaction with a company's products.

ANS: F DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg.43 AACSB: Ethics BT: K

151. Corporate philanthropy is the notion that businesses should give back to the communities where they earn their profits.

ANS: T DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg.49 AACSB: Ethics BT: K

152. Helping employees stop smoking is an example of a social responsibility revolving around public health.

ANS: T DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg.44 AACSB: Ethics BT: AP

153. Environmental issues have become more important concerns of the public in recent years.

ANS: T DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg.46 AACSB: Ethics BT: K

154. Hewlett-Packard's use of new and recycled plastics in the manufacture of its scanners is an example of acting responsibly to satisfy societal demands.

ANS: T DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 46 AACSB: Analytic BT: K

155. A "green" product that claims to be environmentally friendly must be substantiated in accordance with guidelines presented by the Federal Trade Commission.

ANS: T DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg. 47 AACSB: Analytic BT: K

156. The gap between what workers with college degrees earn and what those with high school degrees earn has decreased in recent years.

ANS: F DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg.48 AACSB: Analytic BT: K

157. Paying corporate taxes is an example of corporate philanthropy.

ANS: F DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg.49 AACSB: Ethics BT: AP

158. Consumerism is the concept that business must give consideration to employee wants and needs.

ANS: F DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg.50 AACSB: Analytic BT: K

159. One goal of consumerism is for consumers to have access to enough education and production information to make responsible purchase decisions.

ANS: T DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg.50 AACSB: Analytic BT: K

160. Employers have a responsibility to their employees to provide a safe working environment.

ANS: T DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg.52 AACSB: Analytic BT: K

161. Lauren complained to her employer about a sexually explicit calendar hanging on her coworker's wall. Her employer must ask the coworker to remove the calendar in order to avoid a claim of sexual harassment.

ANS: T DIF: HARD LO: 2.4 Acting Responsibly to Satisfy Society
Pg.56 AACSB: Ethics BT: AP

162. Sexual harassment is divided into two categories: pressure to comply with unwelcome advances for job security and a hostile work environment.

ANS: T DIF: MEDIUM LO: 2.4 Acting Responsibly to Satisfy Society
Pg.56 AACSB: Ethics BT: K

163. All publicly traded companies consistently set and meet high ethical standards.

ANS: F DIF: EASY LO: 2.4 Acting Responsibly to Satisfy Society
Pg.56 AACSB: Ethics BT: K

164. Investors are generally unconcerned with whether a company is behaving ethically; instead, they only focus on whether or not it is making a profit.

ANS: F DIF: EASY LO: 2.5 Responsibility to Investors and the Financial Community
Pg.56 AACSB: Ethics BT: K

165. Companies who fail to follow high ethical standards often see their stock prices drop.

ANS: T
cial Community

Pg.56 AACSB:

DIF: MEDIUM

Ethics

LO: 2.5 Responsibility to Investors and the Finan-

BT: AP