

Name: _____ Class: _____ Date: _____

Ch 02 Business Ethics and Social Responsibility

1. Ethics is the study of how people should act.

- a. True
- b. False

ANSWER: True

2. Life Principles are set by your parents and do not change over time.

- a. True
- b. False

ANSWER: False

3. There is strong evidence that ethical behavior pays off financially for businesses.

- a. True
- b. False

ANSWER: False

4. Unethical behavior is a bar to financial success.

- a. True
- b. False

ANSWER: False

5. John Akers, former chairman of IBM, argues that ethics are not important to economic competitiveness.

- a. True
- b. False

ANSWER: False

6. Society is hurt when business managers behave ethically.

- a. True
- b. False

ANSWER: False

7. Researchers who study happiness find that people expect material goods to make them happier than they actually do.

- a. True
- b. False

ANSWER: True

8. Generally, ethical managers have happier, more satisfying lives.

- a. True
- b. False

ANSWER: True

9. The behavior of top executives regarding ethical issues has little effect on the behavior of the employees of the organization.

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- a. True
- b. False

ANSWER: False

10. A company that engages in unethical behavior may suffer severe consequences.

- a. True
- b. False

ANSWER: True

11. Wever, Inc. is considering relocating a facility to Mexico. The interests of the various stakeholders affected by this decision may conflict.

- a. True
- b. False

ANSWER: True

12. Utilitarian ethics holds that decisions should be made on the basis of practicality, and whatever action is most convenient should be favored.

- a. True
- b. False

ANSWER: False

13. Lying is always considered unethical, even if it seems to be justified by the ends.

- a. True
- b. False

ANSWER: False

14. Deontologists would agree that the increasing medical concern over obesity in the United States justifies federal regulation of high fat, high sugar, low nutrition food advertising during children's television programs.

- a. True
- b. False

ANSWER: True

15. Immanuel Kant was a German philosopher who was a proponent of utilitarian ethics.

- a. True
- b. False

ANSWER: False

16. In analyzing a situation to determine how to act ethically, a business manager should:

- a. gather background information by either talking firsthand with the people involved or by talking to those who gained information informally through the company "grapevine."
- b. narrowly focus on a single issue.
- c. determine whether an alternative violates important values.

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- d. All of the answers are correct.

ANSWER: c

17. Zeno, Inc. is considering relocating its manufacturing facility from Illinois to Mexico City. The stakeholders in this decision might include:

- a. Zeno's shareholders.
- b. customers.
- c. the Illinois community in which Zeno operates.
- d. All of these.

ANSWER: d

18. Ethics is the study of:

- a. sovereign immunity.
- b. how people should act.
- c. *respondeat superior*.
- d. victimization.

ANSWER: b

19. Does ethical behavior maximize profitability?

- a. Yes, there is concrete evidence that ethical behavior maximizes profitability.
- b. No, there is concrete evidence that unethical companies outperform ethical companies.
- c. Although there is no guarantee that ethical behavior pays in the short or long run, there is evidence that the ethical company is more likely to win financially.
- d. There is strong evidence that ethical behavior pays financially in the long run, but not in the short run.

ANSWER: c

20. Why should ethics be a concern to business?

- a. Society as a whole benefits from ethical behavior.
- b. People feel better when they behave ethically.
- c. Unethical behavior can be very costly.
- d. All of these.

ANSWER: d

21. Warren Buffet is quoted as saying, "The five most dangerous words in business may be:

- a. "Everyone else is doing it."
- b. "It's none of your business."
- c. "We have always done this."
- d. "Nobody will ever find out."

ANSWER: a

22. Research has shown that the least important motivation for managers in behaving ethically is:

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- a. they want to feel good about themselves.
- b. they want to feel good about the decisions they make.
- c. they value their reputation.
- d. profitability.

ANSWER: d

23. Why do many major corporations actively encourage ethical behavior?
- a. Unethical behavior always damages a business.
 - b. Unethical behavior can quickly destroy a business.
 - c. Unethical acts are always illegal.
 - d. All of these are reasons that corporations actively encourage ethical behavior.

ANSWER: b

24. Unethical behavior in an organization can create:
- a. a cynical workforce.
 - b. a resentful workforce.
 - c. an unproductive workforce.
 - d. All of these.

ANSWER: d

25. The observation that "The one and only social responsibility of business is to increase its profits" can be attributed to:
- a. Justice Potter Stewart.
 - b. John Akers.
 - c. Milton Friedman.
 - d. Jeffrey Sachs.

ANSWER: c

26. E-presto, Inc. has established an EthicsLine. EthicsLine is a toll-free phone number that employees can call any time of the day, any day of the week to discuss ethics and report suspected unethical or improper conduct. Why would E-presto establish the EthicsLine?
- a. Ethical behavior improves productivity.
 - b. Ethical behavior increases job stability.
 - c. Unethical behavior can destroy a business.
 - d. All of these are reasons that would justify establishing an EthicsLine.

ANSWER: d

27. Charlie Sheen's drug use and violent behavior:
- a. were bad enough to warrant CBS's firing him from a hit TV show.
 - b. have no impact on his job as an actor.
 - c. enhance his reputation as a "tough guy" and should be tolerated.
 - d. are false accusations.

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ANSWER: a

28. Ethical companies:

- a. tend to earn higher returns than companies that engage in wrong-doing.
- b. tend to have more creative employees than companies that engage in wrong-doing.
- c. are guaranteed to be more profitable in the long run than companies that engage in wrong-doing.
- d. All of these.
- e. Both (a) and (b).

ANSWER: e

29. Chelvam is the director of quality control. Chelvam rejected some parts as non-conforming to the specifications. Chelvam's supervisor directs him to accept the parts. Which value might give Chelvam the strength to oppose his supervisor?

- a. Consideration.
- b. Courage.
- c. Fairness.
- d. Ambition.

ANSWER: b

30. Paul decided he did not want the new jeans he had purchased from a large discount department store. He had worn them three times and decided he just did not want them because his friends said they weren't "cool." The jeans fit him fine and there is nothing wrong with them. He takes the jeans back to the store and, as is its policy, the store gave him a full refund of his money. Which statement best expresses rationalization for this decision?

- a. Paul's conduct was ethical as long as he was within the time frame for returns.
- b. Paul's conduct was unethical unless the store's policy included "satisfaction guaranteed" and allowed returns for any reason.
- c. This is not an issue of ethics since people do this all the time.
- d. Paul's conduct was ethical since the store has a legal duty to return his money when he returned the jeans.

ANSWER: c

31. The Chief Executive Officer of Ticor, Inc. must decide about the disposal of toxic waste materials. Which of the following considerations should help the CEO reach an ethical business decision?

- a. Toxic waste disposal law.
- b. The harm the disposal could cause to the environment.
- c. The impact on the business if the decision is publicly disclosed through the news media.
- d. All of these.

ANSWER: d

32. Don runs a construction company. He hires people to work on his projects and tells them they are all "independent contractors." Legally, they are not independent contractors since Don tells the workers when to come to work, how long to work, what days to work, what they are to do each day, and so forth. At the end of each week, Don pays his workers in cash rather than with a check. Also, he does not withhold any state, federal or local withholding tax (since he claims the workers are independent contractors). Which statement is correct?

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- a. Don has committed both unethical and illegal conduct.
- b. Don has committed unethical conduct, but it is legal.
- c. Don has committed ethical conduct but it is illegal.
- d. Don has committed both ethical and legal conduct.

ANSWER: a

33. Which of the following is NOT a stakeholder?

- a. a business competitor.
- b. shareholders.
- c. employees.
- d. the environment.

ANSWER: a

34. Nortron Corporation wants to create an ethical environment in its company. Which of the following has been found to help foster a sense of ethics within an organization?

- a. The company may develop a formal, written ethics code.
- b. The company may institute a formal ethics training program for the employees.
- c. The top executives may provide good examples by behaving ethically themselves.
- d. All of these alternatives have been used by U.S. companies to create an ethical environment in their organizations.

ANSWER: d

35. Lois is running for political office. She trails the incumbent and decides to start running a series of "attack ads." The attack ads are very effective and one week before the election it appears that she has drawn even with her opponent. Lois admits that the attack ads were exaggerations and contained some distortions. Which statement is correct?

- a. Lois has engaged in unethical behavior.
- b. Lois has engaged in ethical behavior since she has an obligation to her supporters to run a campaign that will help her get elected.
- c. It is not possible to determine whether Lois's attack ads were ethical or unethical.
- d. Assuming Lois's attack ads were unethical, her conduct is justified and proper if she gets elected.

ANSWER: a

36. John discovered his company's accountant was "skimming" money from the business. The accountant agreed to pay John a one-time payment of \$25,000 not to report the skimming to company officials. The accountant promised she would pay the money back when she could. John accepted the money and never reported what he knew. A year later the accountant was fired when the embezzlement was discovered. She was also prosecuted for theft. The payment to John was never discovered. Which statement is correct?

- a. John's act was unethical and illegal.
- b. John's act was unethical but not necessarily illegal.
- c. John's act was ethical since he believed the accountant would return the money; however, it was illegal.
- d. Based on the facts, John's conduct was both ethical and legal given the special circumstances of this case.

ANSWER: a

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37. Oxtron, Inc. arranged for two employees, Kaiya and Gary, to attend "The Business Ethics 2008 Conference: Maintaining Credibility" in New York City. Although Gary goes to New York, he does not participate in the conference. Instead, he takes in the local attractions. Kaiya fully participated in the conference. Using ethical standards, describe what Kaiya should do about Gary's failure to participate in the conference.

ANSWER: Kaiya has to ask herself the following questions:

- Is there an issue of dishonesty in this case?
- Who, if anyone, is hurt by Gary's action?
- Who, if anyone, would be hurt if I reported Gary's action?
- What are my alternatives?
- What are the ethical implications of each alternative?
 - Is it legal?
 - How would it look in the light of day?
 - What are the consequences?
 - Does it violate important values?
 - What kind of world would this be if everyone behaved this way?
- Which of these alternatives match my Life Principles?

38. Tianhui was recently hired as a sales representative by Oxtron, Inc. Before leaving on his first sales trip, a number of the other sales representatives take Tianhui aside and tell him that it is customary for the sales representatives to "pad" (increase) their expense reports each month by 20%. Use utilitarian ethics to decide what Tianhui should do about the expense report he submits to Oxtron.

ANSWER: According to utilitarian ethics, Tianhui could justify padding his report because:

- It will increase his overall happiness.
- Increase in pay will help him feel better about going on trips, and make him more successful.
- Help him "fit in" with the other sales staff, increasing morale for all.
- The end result will be better because he will more likely stay with this job, decreasing employee turnover costs.

39. Many of America's largest consumer product companies, such as Wal-Mart, Nike, and Land's End, buy fabric produced in China by Fountain Set Holdings Ltd. Chinese government investigators recently discovered that Fountain Set has contaminated a local river by dumping dye waste into it. What responsibility do U.S. companies have to ensure safe environmental practices by overseas suppliers?

ANSWER: The answer to this problem is not a simple as it might seem. Most Americans would support taking measures to force the Chinese company to be more environmentally responsible, but few recognize what the cost for that would be. Americans are too used to having low prices and many choices in consumer goods, and would protest if that were to change. Most Americans also do not realize that modernization and financial wealth for a society often begins with industries that have less than admirable practices, such as sweatshop conditions and environmental disrespect.

40. Li is the vice president of marketing for Felson, Inc., a manufacturer of children's clothing. Felson is considering building a factory in a developing country, where there are few restrictions on working conditions, wages, or maximum work hours. Which viewpoint: utilitarian or deontological would support this move? Why?

ANSWER: A utilitarian viewpoint would support building a factory in a developing country because:

- Felson would save money, enabling them to lower their prices to consumers.
- Workers in developing countries are willing to work, even under harsh conditions, because they need the money.
- Industrialization, even with sweatshops, leads to economic growth for a society.
- Without the factory, the workers in this country may even starve.

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41. Oxtron, Inc. is considering establishing a program that actively encourages ethical behavior. What reasons would support Oxtron's adoption of an ethics program?

ANSWER: The following reasons support an ethics program: (1) society as a whole benefits from ethical behavior; (2) people feel better when they behave ethically; (3) unethical behavior can be very costly; and (4) ethical behavior is more likely to pay off with a better reputation, more creative and cooperative employees, and higher returns than companies that engage in wrong-doing.

42. Acme Widgets donates \$1.00 from each sale of its Super Widget to the World Food Bank. This action illustrates:

- A. corporate social responsibility.
- B. outsourcing.
- C. unethical corporate conduct.
- D. none of these answers.

ANSWER: A