

Chapter 01: The Importance of Business Ethics

1. Corporate social responsibility is defined as which of the following?
- a. An organization's obligation to maximize its positive effects and minimize its negative effects on stakeholders
 - b. Principles, values, and norms that primarily guide individual and group behavior in the world of business
 - c. The institutionalization of business ethics into all levels of business decision making
 - d. A business's responsibility to manufacture products that function properly
 - e. Charitable contributions made by a business to enhance its reputation with stakeholders

ANSWER:

a

2. After the accounting scandals of the early 2000s, which of the following was/were enacted to restore confidence in financial reporting and business ethics?
- a. Defense Industry Initiative on Business Ethics and Conduct
 - b. Sarbanes-Oxley Act
 - c. Federal Sentencing Guidelines for Organizations
 - d. Foreign Corrupt Practices Act
 - e. Dodd-Frank Wall Street Reform and Consumer Protection Act

ANSWER:

b

3. Which of the following is one of the rights spelled out by John F. Kennedy in his "Consumers' Bill of Rights"?
- a. The right to consumerism
 - b. The right to safety
 - c. The right to be protected
 - d. The right to be ethical
 - e. The right to be heard

ANSWER:

b

4. During the 1990s, the institutionalization of business ethics was largely driven by which piece of legislation?
- a. Sarbanes-Oxley Act
 - b. Federal Sentencing Guidelines for Organizations
 - c. Dodd-Frank Wall Street Reform and Consumer Protection Act
 - d. Foreign Corrupt Practices Act
 - e. UN Global Compact

ANSWER:

b

5. Environmental Social Governance (ESG) refers to which of the following?
- a. A framework for evaluation of firm performance in the areas of environmental, social, and governance
 - b. The most far-reaching change in organizational control and accounting regulations since the Securities and Exchange Act of 1934
 - c. Guidelines that codified into law incentives to reward organizations for taking action to prevent misconduct
 - d. An organization developed to guide corporate support for ethical conduct
 - e. An organization's obligation to maximize its positive impact and minimize its negative impact on stakeholders

ANSWER:

a

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6. The 1960s saw a rise of consumerism. What is consumerism?

- a. An increase in consumer rights by individuals, organizations, and governments
- b. The growth of international retail chain stores that served global consumers
- c. Activities undertaken by independent individuals, groups, and organizations to protect their rights as consumers
- d. The widespread adoption of consumer-oriented marketing strategies among businesses
- e. The tendency of organizations to view consumers as their most important stakeholder

ANSWER:

c

7. Ethically charged decisions _____.

- a. are made at all levels of work and management
- b. are made primarily by top management
- c. stem from individual moral philosophies
- d. are less important than other decision-making processes
- e. are an isolated personal issue

ANSWER:

a

8. Which of the following was developed in the 1980s to guide corporate support for ethical conduct by establishing a method for discussing best practices?

- a. Federal Sentencing Guidelines for Organizations
- b. Defense Industry Initiative on Business Ethics and Conduct
- c. Foreign Corrupt Practices Act
- d. U.S. Sentencing Commission
- e. The Southern Common Market

ANSWER:

b

9. Firms taking action to prevent and detect business misconduct in cooperation with government regulation are incentivized to do so by the rewards that are the focus of which of the following?

- a. U.S. Sentencing Commission
- b. Defense Industry Initiative on Business Ethics and Conduct
- c. World Trade Organization
- d. United Nations Global Compact
- e. Federal Sentencing Guidelines for Organizations

ANSWER:

e

10. Which of the following statements about morals is *true*?

- a. Morals are the same as principles and ethics.
- b. Morals relate to the business's ethical culture.
- c. Morals are emphasized in business ethics programs.
- d. Morals relate to you and you alone.
- e. Morals do not have much influence over individual ethical decision making.

ANSWER:

d

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11. Which of the following statements about values is *true*?

- a. Values are specific and pervasive boundaries for behavior that should not be violated.
- b. Values are acceptable behavior as defined by the company and industry.
- c. Values are attempts by businesses to minimize their negative impact on society.
- d. Values are a person's moral philosophies about what is right or wrong.
- e. Values are enduring beliefs and ideals that are socially enforced.

ANSWER:

e

12. As more than a compliance program, what is business ethics becoming?

- a. An integral part of management's efforts to achieve competitive advantage
- b. A guaranteed way to earn higher financial returns
- c. Mainly a government regulatory issue
- d. An initiative led by nonprofit organizations
- e. A program that decreases profits but increases societal benefits

ANSWER:

a

13. Employees who view their organizational culture as ethical are more likely to _____.

- a. ask for a raise
- b. use their personal moral philosophies in decision making
- c. make personal sacrifices for the organization
- d. gain more organizational training
- e. have a greater desire to become managers themselves

ANSWER:

c

14. President Obama's administration focused on which of these major ethical issues?

- a. Decreasing environmental legislation
- b. Deregulation
- c. Tax decreases
- d. Incentives to oil companies
- e. Healthcare and consumer protection

ANSWER:

e

15. Which of the following statements about business ethics is *true*?

- a. A firm that has ethical management will succeed financially.
- b. Codes of ethics should cover every business ethics issue.
- c. Business ethics focuses more on laws than on values.
- d. Individuals apply the same ethical rules in business as they do at home.
- e. Conflict or trade-offs do not exist between profits and business ethics.

ANSWER:

e

16. A far-reaching change to organizational control and accounting systems, making securities fraud a criminal offense, was accomplished by which of the following?

- a. Foreign Corrupt Practices Act

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- b. Sarbanes-Oxley Act
- c. Consumer Protection Act
- d. Defense Industry Initiative on Business Ethics and Conduct
- e. Dodd-Frank Wall Street Reform and Consumer Protection Act

ANSWER:

b

17. The Foreign Corrupt Practices Act outlawed which of the following?

- a. Global accounting fraud
- b. Price collusion
- c. Corruption in foreign governments
- d. Bribery of a foreign public official
- e. Executive misconduct

ANSWER:

d

18. The Sarbanes-Oxley Act resulted in which of the following?

- a. It stiffened penalties for personal fraud.
- b. It created an accounting oversight board that requires corporations to establish codes of ethics for financial reporting.
- c. It required stakeholders to approve corporate firms' financial statements.
- d. It outlawed bribery of officials in other countries.
- e. It made securities fraud a civil offense.

ANSWER:

b

19. To survive and contribute to society, which of the following is *true*?

- a. Businesses must operate at a loss.
- b. Businesses must bribe foreign officials with facilitation payments.
- c. Businesses must ignore the needs and desires of stakeholders.
- d. Businesses must make a trade-off between profits and business ethics.
- e. Businesses must earn a profit.

ANSWER:

e

20. Because of Sarbanes-Oxley, what must publicly traded companies develop in order to assist in maintaining transparency in financial reporting?

- a. Ethics officers
- b. Ethics programs
- c. Codes of ethics
- d. Legal counsel
- e. Accountants

ANSWER:

c

21. When building long-term relationships between businesses and consumers, which of the following is essential for success?

- a. Profit

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- b. Governance
- c. Trust
- d. Knowledge
- e. A code of ethics

ANSWER:

c

22. Which of the following statements about the Dodd-Frank Wall Street Reform and Consumer Protection Act is *true*?

- a. It was very popular among Wall Street bankers.
- b. It represented modest reform to the finance industry.
- c. It came out of theological discussions in the 1920s.
- d. It was designed to make the financial services industry more responsible.
- e. It made it mandatory for public corporations to hire ethics officers.

ANSWER:

d

23. In the Reagan/Bush eras, the major focus of the business world was on which of the following?

- a. Self-regulation rather than regulation by government
- b. Decreasing the number of mergers
- c. Decreasing the multinational presence in the U.S. marketplace
- d. Increasing government influence on the economic arena
- e. Improving business ethics

ANSWER:

a

24. The six principles of the Defense Industry Initiative on Business Ethics and Conduct became the foundation for which of the following?

- a. The Foreign Corrupt Practices Act
- b. The Federal Sentencing Guidelines for Organizations
- c. The Ethical Trading Initiative
- d. The Federal Trade Commission compliance requirements
- e. The Sarbanes-Oxley Act

ANSWER:

b

25. Ethical culture is defined as which of the following?

- a. Ethical culture refers to rules, standards, and moral principles regarding what is right or wrong in specific situations.
- b. Ethical culture is the establishment and enforcement of ethical codes throughout an organization.
- c. Ethical culture involves the development of rules and norms that are socially enforced.
- d. Ethical culture refers to the codification of laws to reward organizations for taking action to prevent misconduct.
- e. Ethical culture is acceptable behavior as defined by the company and industry.

ANSWER:

e

26. The Federal Sentencing Guidelines for Organizations set the tone for organizational ethics compliance programs through which of the following?

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- a. By codifying into law incentives for organizations to take action such as developing ethical compliance programs to prevent misconduct
- b. By forcing all organizations to develop mandatory reporting systems and ethics programs
- c. By eliminating most of the federal legislation that created inefficient and time-consuming activities for businesses
- d. By providing detailed guidelines for how to set up organizational ethics programs to guard against unethical conduct
- e. By providing a thorough examination of company codes of ethics to determine whether they are sufficient

ANSWER:

a

27. The Federal Sentencing Guidelines for Organizations are described by which of the following statements?

- a. They use a routine mechanical approach that forces all firms to use the same means to avert serious penalties.
- b. They strive to prosecute misconduct.
- c. They encourage companies to develop standards and procedures for penalizing misconduct.
- d. They utilize a carrot-and-stick approach by taking preventive action against misconduct.
- e. They encourage self-regulation as opposed to oversight of compliance.

ANSWER:

d

28. Employees' perceptions of their firm as having an ethical climate lead to which of the following?

- a. Lack of focus on goals
- b. Greater focus on education
- c. Increased community involvement
- d. Improved relationships with competitors
- e. Performance-enhancing outcomes

ANSWER:

e

29. A global compliance management standard that addresses risks, legal requirements, and stakeholder needs is known as _____.

- a. the Ethical Trading Initiative
- b. the UN Global Compact
- c. the Defense Industry Initiative on Business Ethics and Conduct
- d. stakeholder theory
- e. ISO 19600

ANSWER:

e

30. Investors are concerned about business ethics because they know that misconduct can _____.

- a. harm the ability to monitor changes
- b. increase prices of consumer products
- c. cause delays in government intervention
- d. lower stock prices
- e. complicate business financial reporting

ANSWER:

d

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31. When an organization has a strong ethical environment, it usually focuses on the core value of placing whose interests first?

- a. Customers'
- b. Employees'
- c. Stockholders'
- d. Suppliers'
- e. Distributors'

ANSWER:

a

32. Why is the public more tolerant of consumer misconduct than business misconduct?

- a. Businesses are expected to have a better idea of right and wrong.
- b. The decisions of individuals have little to do with ethics in the business world.
- c. There are big differences in wealth and success between businesses and consumers.
- d. More organizations commit misconduct than individual consumers.
- e. There is a large income disparity among professional businesspeople.

ANSWER:

c

33. What happens when society deems a particular business action as wrong or unethical?

- a. Legislation usually follows.
- b. The guilty individual is jailed.
- c. Self-regulation is deemed a failure.
- d. The company goes bankrupt.
- e. Fines automatically follow.

ANSWER:

a

34. Which business ethics issue was a major concern during the 1920s?

- a. Sustainability
- b. Consumerism
- c. Living wage
- d. Bribery
- e. Abusive managers

ANSWER:

c

35. Explain how ethics contributes to customer satisfaction.

ANSWER: Trust is essential to a good long-term relationship between a business and consumers. High levels of perceived corporate misconduct decrease customer trust. On the other hand, companies viewed as socially responsible increase customer trust and satisfaction. The perceived ethicality of a firm is positively related to brand trust, emotional identification with the brand, and brand loyalty.

36. Describe the evolution of business ethics as a field of study from before 1960 to the 1980s.

ANSWER: The study of business ethics evolved through five distinct stages. Before 1960, business ethics issues were discussed primarily from a religious perspective. The 1960s saw the emergence of many social issues involving business and the concept of social conscience as well as a rise in consumerism, which culminated with Kennedy's *Consumers' Bill of Rights*. Business ethics began to develop as an independent field of study

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in the 1970s, with academics and practitioners exploring ethical issues and attempting to understand how individuals and organizations make ethical decisions. These experts began to teach and write about the idea of corporate social responsibility, an organization's obligation to maximize its positive impact on stakeholders and minimize its negative impact. In the 1980s, business ethics evolved even further, as centers of business ethics provided publications, courses, conferences, and seminars, and many companies established ethics committees and social policy committees. During that time, the Defense Industry Initiative on Business Ethics and Conduct was developed to guide corporate support for ethical conduct, with its principles having a major impact on corporate ethics.

37. Explain why it is important for businesspeople to study business ethics.

ANSWER: Studying business ethics is important for many reasons. Just being a good person and having sound personal values may not be sufficient to handle the ethical issues that arise in a business organization. Studying business ethics helps businesspeople begin to identify ethical issues when they arise and allow them to recognize the approaches available for resolution. By studying business ethics, businesspeople learn more about the ethical decision-making process and about ways to promote ethical behavior within their organization. They may also begin to understand how to cope with conflicts between their own personal values and those of the organization in which they work.

38. We all learn values from sources such as family, religion, and school. Describe why these sources of individual values might not prove to be very helpful when making complex business decisions.

ANSWER: An individual's personal moral values are only one factor in the ethical decision-making process. True moral values can be applied to a variety of situations in life, and some people do not distinguish everyday ethical issues from business ones. Although truthfulness, honesty, fairness, and openness are often assumed to be self-evident and accepted, business-strategy decisions involve complex and detailed discussions. Many people with limited business experience suddenly find themselves making decisions about product quality, advertising, pricing, sales techniques, hiring practices, and pollution control. The values they learned from family, religion, and school may not provide specific guidelines for these complex business decisions, since a person's experiences and decisions at home, in school, and in the community may be quite different from their experiences and decisions at work.

39. Describe the current state of business ethics in the 2020s.

ANSWER: Environmental Social Governance (ESG) is becoming an important initiative in the 2020s, with stakeholder demands for firms to protect the environment, contribute to social causes, and engage in conduct that is responsible and ethical. Ethical issues related to gender equality and sexual harassment will also continue to be major issues addressed through ESG. Additionally, sustainability issues are causing firms and government to find solutions. Many future ethical issues will revolve around artificial intelligence (AI) and the acquisition and use of data. At this time, both government and various stakeholders are demanding that responsible ethical conduct be a part of an organization's culture.

40. Explain how values and judgments play a critical role when we make ethical decisions versus ordinary ones.

ANSWER: One difference between an ordinary decision and an ethical one lies in "the point where the accepted rules no longer serve, and the decision maker is faced with the responsibility for weighing values and reaching a judgment in a situation which is not quite the same as any he or she has faced before." Another difference relates to the amount of emphasis decision makers place on their own values and accepted practices within their company. Consequently, values and judgments play a critical role when we make ethical decisions.

41. Prior to the 1960s, ethical issues related to business were often discussed in the domain of theology or philosophy.

- a. True
- b. False

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ANSWER: True

42. ISO 19600 is a set of 10 principles concerning human rights, labor, the environment, and anti-corruption.

- a. True
- b. False

ANSWER: False

43. Every organization has the potential for unethical behavior, even if it is not a business.

- a. True
- b. False

ANSWER: True

44. Morals are enduring beliefs and ideals that are socially enforced.

- a. True
- b. False

ANSWER: False

45. The *Consumers' Bill of Rights* developed by John F. Kennedy maintains that consumers have the right to safety, the right to be heard, the right to free speech, and the right to choose.

- a. True
- b. False

ANSWER: False

46. A majority of consumers believe it is a company's responsibility to have a moral or ethical viewpoint.

- a. True
- b. False

ANSWER: True

47. Specific and pervasive boundaries for behavior that should not be violated are known as _____.

- a. philosophy
- b. values
- c. principles
- d. business ethics
- e. morals

ANSWER: c

48. Which of the following concepts refers to a person's personal philosophy about what is right or wrong?

- a. Philosophy
- b. Values
- c. Principles
- d. Integrity
- e. Morals

ANSWER: e

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49. The term that comprises organizational principles, values, and norms that may originate from individuals, organizational statements, or from the legal system that primarily guides individual and group behavior in business is defined as _____.

- a. stakeholder orientation
- b. values
- c. principles
- d. business ethics
- e. integrity management

ANSWER:

d

50. A situation where a person is faced with multiple choices, all of which are undesirable as defined by that person, is known as a(n) _____.

- a. value dilemma
- b. integrity management
- c. philosophical dilemma
- d. legal dilemma
- e. moral dilemma

ANSWER:

e