

Chapter 01: An Overview of Ethics

True / False

1. An organization's mission statement highlights its key ethical issues and identifies the overarching values and principles that are important to the organization and its decision making.

- a. True
- b. False

ANSWER: False

2. Ideally, the corporate ethics officer should be a well respected, senior-level manager who reports directly to the CEO.

- a. True
- b. False

ANSWER: True

3. In a nonprofit organization, the board of directors reports to the local community that it serves.

- a. True
- b. False

ANSWER: True

4. Consistency means that shareholders, customers, suppliers, and the community know what they can expect of an organization-that it will behave in the future much as it has in the past.

- a. True
- b. False

ANSWER: True

5. The greater reliance of information systems in all aspects of life has decreased the risk that information technology will be used unethically.

- a. True
- b. False

ANSWER: False

6. Increasingly, managers are including ethical conduct as part of an employee's performance appraisal.

- a. True
- b. False

ANSWER: True

7. Employees may suppress their tendency to act in a manner that seems ethical to them and instead act in a manner that will protect them against anticipated punishment.

- a. True
- b. False

ANSWER: True

8. The term morals refers to the personal principles upon which an individual bases his or her decisions about

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what is right and what is wrong.

- a. True
- b. False

ANSWER: True

9. Laws can proclaim an act as legal, although many people may consider the act immoral.

- a. True
- b. False

ANSWER: True

10. Fairness and generosity are examples of virtues.

- a. True
- b. False

ANSWER: True

11. Lawrence Kohlberg found that the most crucial factor that stimulates a person's moral development is monetary reward for good behavior.

- a. True
- b. False

ANSWER: False

12. Multinational and global organizations must not present a consistent face to their shareholders, customers, and suppliers but instead must operate with a different value system in each country they do business in.

- a. True
- b. False

ANSWER: False

13. Legal acts conform to what an individual believes to be the right thing to do.

- a. True
- b. False

ANSWER: False

14. Ethics has risen to the top of the business agenda because risks associated with inappropriate behavior have increased, both in their likelihood and in their potential negative impact.

- a. True
- b. False

ANSWER: True

15. Setting corporate social responsibility (CSR) goals encourages an organization to achieve higher moral and ethical standards.

- a. True
- b. False

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ANSWER: True

16. A mission statement is a clear, concise description of the issue that needs to be addressed.

- a. True
- b. False

ANSWER: False

17. The board of directors of an organization is normally responsible for day-to-day management and operations of the organization.

- a. True
- b. False

ANSWER: False

18. Because an activity is defined as legal, the activity is also considered ethical.

- a. True
- b. False

ANSWER: False

19. In the business world, important decisions are too often left to the technical experts; general business managers must assume greater responsibility for these decisions.

- a. True
- b. False

ANSWER: True

20. Individual views on what is moral are so strongly held that there is nearly universal agreement in spite of differences in age, cultural group, ethnic background, religion, life experience, education, and gender.

- a. True
- b. False

ANSWER: False

21. Most people have developed a decision-making process they use almost automatically, without thinking about the steps they go through.

- a. True
- b. False

ANSWER: True

22. The countries with the highest software piracy rate in the world include Luxembourg, Japan, and New Zealand.

- a. True
- b. False

ANSWER: False

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23. Stakeholders who stand to lose or gain from a situation should be kept out of the decision making process as they will simply introduce their personal biases.

- a. True
- b. False

ANSWER:

False

24. The term ethics describes standards or codes of behavior expected of an individual by a group to which the individual belongs.

- a. True
- b. False

ANSWER:

True

25. If the desired results are not achieved upon implementation of a solution, one should return to the "identify alternatives" step of the decision making process and rework the decision.

- a. True
- b. False

ANSWER:

False

Multiple Choice

26. Which of the following identifies the concept that an organization should act ethically by taking accountability for the impact of its actions on the environment, the community, and the welfare of its employees?

- a. Corporate social responsibility
- b. Corporate governance
- c. Corporate social entrepreneurship
- d. Corporate sustainability

ANSWER:

a

27. Which of the following steps in the decision-making process gathers and analyzes facts and also identifies stakeholders affected by the decision?

- a. Develop problem statement
- b. Evaluate result
- c. Identify alternatives
- d. Implement decision

ANSWER:

a

28. A set of beliefs about right and wrong behavior within a society is known as which of the following?

- a. ethics
- b. moral code
- c. law
- d. vices and virtues

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ANSWER:

a

29. Which of the following statements best describes a reason why organizations pursue corporate social responsibility (CSR) goals and promote a work environment in which employees are encouraged to act ethically when making business decisions?

- a. To enjoy higher employee turnover rates
- b. To define a variable approach for dealing with stakeholders
- c. To gain the goodwill of the community
- d. To increase unfavorable publicity

ANSWER:

c

30. What term is used to describe a habit of unacceptable behavior?

- a. moral
- b. virtue
- c. ethic
- d. vice

ANSWER:

d

31. Standards or codes of behavior expected of an individual by a group (nation, organization, profession) to which an individual belongs is known as which of the following?

- a. Ethics
- b. Virtues
- c. Laws
- d. Morals

ANSWER:

a

32. Which of the following terms best describes a habit that inclines people to do what is acceptable?

- a. laws
- b. ethics
- c. virtue
- d. vice

ANSWER:

c

33. The piracy rate is nearly 80 percent across which continent?

- a. Asia
- b. North America
- c. Europe
- d. Africa

ANSWER:

d

34. Companies that develop and maintain strong employee relations:

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- a. build indifference to the organization's goals.
- b. erode employee involvement.
- c. enjoy lower turnover rates.
- d. face low employee morale.

ANSWER:

c

35. In the case of United States v. New York Central & Hudson River Railroad Co., the U.S. Supreme Court established that:

- a. executives in an organization with an effective ethics program can receive lesser sentences for unethical actions.
- b. an employer can be held responsible for the acts of its employees even if the employees act in a manner contrary to their employer's directions.
- c. organizations can escape criminal liability if they make strong efforts to prevent and detect misconduct in the workplace.
- d. officers of companies cannot be given light sentences if their ethics program fail to deter criminal activity within their firms.

ANSWER:

b

36. A rapid increase in the appointment of corporate ethics officers typically follows:

- a. the acquisition of one company by another.
- b. the revelation of a major business scandal.
- c. the appointment of a new CEO.
- d. a substantial decrease in the stock price of a firm.

ANSWER:

b

37. Based on a 2013 National Business Ethics Survey, the percentage of employees who said they reported misconduct in the workplace when they saw it is characterized by which of the following statements?

- a. increased from 2011 to 2013
- b. decreased from 2011 to 2013
- c. stayed essentially the same
- d. increased by more than 10 percentage points from 2007 to 2009

ANSWER:

b

38. The goodwill that is created by which of the following can make it easier for corporations to conduct their business?

- a. profits
- b. alliances
- c. incentives
- d. CSR activities

ANSWER:

d

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39. In which step of the decision-making process should the decision makers consider laws, guidelines, policies, and principles that might apply to the decision?

- a. develop problem statement
- b. implement decision
- c. identify alternatives
- d. choose alternative

ANSWER:

d

40. Which of the following is the most critical step in the decision-making process?

- a. Evaluation of the results
- b. Identification of alternative solutions
- c. Development of a problem statement
- d. Implementation of a decision

ANSWER:

c

41. A discrepancy between employee's own values and an organization's actions:

- a. encourages employee commitment.
- b. increases employee involvement.
- c. fosters poor performance.
- d. creates high morale.

ANSWER:

c

42. Someone who stands to gain or lose, depending on how a situation is resolved is known as which of the following?

- a. negotiator
- b. figurehead
- c. stakeholder
- d. philanthropist

ANSWER:

c

43. Which of the following activities describes when an organization reviews how well it is meeting its ethical and social responsibility goals, and communicates its new goals for the upcoming year?

- a. ethics review
- b. performance appraisal
- c. social audit
- d. morals assessment

ANSWER:

c

44. A well-implemented ethics and compliance program and a strong ethical culture can lead to:

- a. more fear of retaliation by management.
- b. less comfort for employees reporting misconduct.

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- c. more negative views on the organization.
- d. less pressure on employees to misbehave.

ANSWER:

d

45. Which of the following positions provides an organization with vision and leadership in the area of business conduct?

- a. spiritual leader
- b. corporate ethics officer
- c. disseminator
- d. disturbance handler

ANSWER:

b

46. In a for-profit organization, the primary objective of which of the following is to oversee the organization's business activities and management for the benefit of shareholders, employees, customers, suppliers, and the community?

- a. negotiator
- b. board of directors
- c. corporate ethics officer
- d. corporate compliance officer

ANSWER:

b

47. To extend to all people the same respect and consideration that you expect from them is considered which of the following character traits?

- a. morality
- b. ethical
- c. integrity
- d. consistency

ANSWER:

c

48. In an environment where employees are encouraged to do "whatever it takes" to get the job done, employees may feel pressure to act in which of the following ways?

- a. with integrity
- b. unethically
- c. morally
- d. that which is culturally accepted

ANSWER:

b

49. One's personal beliefs about right and wrong are known as which of the following?

- a. virtues
- b. vices
- c. characteristics

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- d. morals

ANSWER:

d

50. A statement that highlights an organization's key ethical issues and identifies the overarching values and principles that are important to the organization and its decision making is known as which of the following?

- a. mission statement
- b. code of ethics
- c. problem statement
- d. acceptable use policy

ANSWER:

b

51. In the decision-making process of implementing the decision, what plan must be defined to explain to people how they will move from the old way of doing things to the new way?

- a. implementation
- b. backup
- c. transition
- d. evaluation

ANSWER:

c

52. Which of the following helps ensure that employees abide by the law, follow necessary regulations, and behave in an ethical manner?

- a. mission statement
- b. acceptable use policy
- c. problem statement
- d. code of ethics

ANSWER:

d

53. A clear, concise statement of an issue that needs to be addressed is known as which of the following?

- a. mission statement
- b. acceptable use policy
- c. problem statement
- d. code of ethics

ANSWER:

c

54. A code of ethics cannot gain company-wide acceptance unless it is fully endorsed by the organization's leadership and developed with which of the following?

- a. employee participation
- b. board of directors
- c. business partners
- d. shareholders

ANSWER:

a

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55. During which step of the decision-making process should one be extremely careful not to make assumptions about the situation?

- a. identify alternatives
- b. implement decision
- c. evaluate results
- d. develop problem statement

ANSWER:

d

Subjective Short Answer

56. What is a social audit? Explain.

ANSWER: In a social audit, an organization reviews how well it is meeting its ethical and social responsibility goals, and communicates its new goals for the coming year. This information is shared with employees, shareholders, investors, market analysts, customers, suppliers, government agencies, and the communities in which the organization operates.

57. Describe two trends that have increased the likelihood of unethical behavior.

ANSWER: Several trends have increased the likelihood of unethical behavior. First, for many organizations, greater globalization has created a much more complex work environment that spans diverse cultures and societies, making it much more difficult to apply principles and codes of ethics consistently. For example, numerous U.S. companies have moved operations to developing countries, where employees work in conditions that would not be acceptable in most developed parts of the world. Second, in today's challenging and uncertain economic climate, organizations are extremely challenged to maintain revenue and profits. Some organizations are sorely tempted to resort to unethical behavior to maintain profits.

58. In the context of an ethical decision-making process, discuss the importance of communication in implementing a change.

ANSWER: Once the alternative is selected, it should be implemented in an efficient, effective, and timely manner. This is much easier said than done, because people tend to resist change. In fact, the bigger the change, the greater the resistance to it. Communication is the key in helping people accept a change. It is imperative that someone whom the stakeholders trust and respect answer the following questions: Why are we doing this? What is wrong with the current way we do things? What are the benefits of the new way for you? A transition plan must be defined to explain to people how they will move from the old way of doing things to the new way. It is essential that the transition be seen as relatively easy and pain free.

59. Discuss the role of the board of directors in creating an ethical organization.

ANSWER: Board of directors of a company are expected to conduct themselves according to the highest standards for personal and professional integrity, while setting the standard for company-wide ethical conduct and ensuring compliance with laws and regulations. Employees will "get the message" if the directors set an example of high level of ethical behavior. If they don't set a good example, employees will get that message as well. Importantly, board members must create an environment where employees feel they can seek advice about appropriate business conduct, raise issues, and report misconduct through appropriate channels. Failure of the board to set an example of high-level ethical behavior or to intervene to stop unethical behavior can result in serious consequences.

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60. Briefly describe the difference between morals, ethics, and laws.

ANSWER: Morals are one's own personal beliefs about right and wrong, while the term ethics describe standards or codes of behavior expected of an individual by a group (nation, organization, profession) to which an individual belongs. For example, the ethics of the law profession demand that defense attorneys defend an accused client to the best of their ability, even if they know that the client is guilty of the most heinous and morally objectionable crime one could imagine.

Law is a system of rules that tells people what one can and cannot do. Laws are enforced by a set of institutions (the police, courts, law making bodies). Legal acts are acts that conform to the law. Moral acts conform with what an individual believes to be the right thing to do. Laws can proclaim an act as legal, although many people may consider the act immoral-for example, abortion.