

***Management, 3e (Hitt)***

**Chapter 2 Social Responsibility and Managerial Ethics**

1) Managerial ethics begin at the top of the organization.

Answer: TRUE

Page Ref: 29

Difficulty: Easy

Classification: Conceptual

Objective: 1

AACSB: Ethical understanding and reasoning abilities

2) Having to make a choice between two competing but arguably valid options is known as an ethical dilemma.

Answer: TRUE

Page Ref: 30

Difficulty: Easy

Classification: Conceptual

Objective: 1

AACSB: Ethical understanding and reasoning abilities

3) Ethnocentricity tends to hurt managerial effectiveness, especially in culturally diverse contexts.

Answer: TRUE

Page Ref: 30

Difficulty: Easy

Classification: Conceptual

Objective: 1

AACSB: Multicultural and diversity understanding

4) According to the utilitarian approach to ethical decision making, the most ethical course of action is the one that results in the greatest good for the greatest number of people.

Answer: TRUE

Page Ref: 31

Difficulty: Easy

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

5) The utilitarian approach to ethical decision making advocates making decisions based on moral principles rather than on the positive or negative consequences of an action.

Answer: FALSE

Page Ref: 31

Difficulty: Easy

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

6) According to the universal approach to ethical decision making, if two courses of action have equal moral standing, managers should determine the more ethical course by considering the positive and negative consequences of each one.

Answer: FALSE

Page Ref: 31

Difficulty: Easy

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

7) According to the concept of distributive justice, all employees should receive equal rewards and punishments.

Answer: FALSE

Page Ref: 32

Difficulty: Easy

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

8) Moral intensity refers to the impact of ethics and morality on a group of people.

Answer: FALSE

Page Ref: 33

Difficulty: Easy

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

9) According to Adam Smith, the best way to advance the well-being of society is to place resources in the hands of government officials and allow politicians to allocate scarce resources to satisfy the demands of society.

Answer: FALSE

Page Ref: 36-37

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

10) The efficiency perspective of social responsibility states that it is irresponsible to maximize shareholders' wealth because they are not the only ones responsible for a firm's existence.

Answer: FALSE

Page Ref: 37

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

11) From the perspective of social responsibility, shareholders are stakeholders.

Answer: TRUE

Page Ref: 39

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

12) Accommodator companies obey the letter of the law but do not make changes that might restrict profits unless they are required to do so.

Answer: TRUE

Page Ref: 41

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

13) Reactor firms tend to believe that they are obligated to a variety of stakeholders.

Answer: FALSE

Page Ref: 42

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

14) In the "inside-out" approach of the strategic corporate social responsibility perspective, managers can look inside the company at issues that are more rather than less important as a function of the company's strategy and business activities.

Answer: TRUE

Page Ref: 42

Difficulty: Easy

Classification: Conceptual

Objective: 3

AACSB: Ethical understanding and reasoning abilities

15) In the "outside-in" approach of the strategic corporate social responsibility perspective, managers look at social issues in general terms of the extent to which they are problematic.

Answer: FALSE

Page Ref: 44

Difficulty: Easy

Classification: Conceptual

Objective: 3

AACSB: Ethical understanding and reasoning abilities

16) In the "outside-out" approach of the strategic corporate social responsibility perspective, managers can look outside the company at issues the company can influence.

Answer: FALSE

Page Ref: 44

Difficulty: Easy

Classification: Conceptual

Objective: 3

AACSB: Ethical understanding and reasoning abilities

17) Employees are unlikely to conform to a corporate code of ethics unless other actions taken by the organization reinforce the code.

Answer: TRUE

Page Ref: 47

Difficulty: Easy

Classification: Conceptual

Objective: 6

AACSB: Ethical understanding and reasoning abilities

18) The greater the psychological and emotional involvement of participants in ethics training, the greater their retention of learning points will be.

Answer: TRUE

Page Ref: 48

Difficulty: Easy

Classification: Conceptual

Objective: 6

AACSB: Ethical understanding and reasoning abilities

19) As a group, whistleblowers tend to be disgruntled employees.

Answer: FALSE

Page Ref: 48

Difficulty: Easy

Classification: Conceptual

Objective: 6

AACSB: Ethical understanding and reasoning abilities

20) The Foreign Corrupt Practices Act was passed in 1977 in order to prevent foreign government officials from making payments to U.S. firms.

Answer: FALSE

Page Ref: 49

Difficulty: Easy

Classification: Conceptual

Objective: 6

AACSB: Ethical understanding and reasoning abilities

21) \_\_\_\_\_ is concerned with morality and standards of business conduct, especially among individuals.

- A) Social consensus
- B) Managerial ethics
- C) Organizational behavior
- D) Earned value management

Answer: B

Page Ref: 29

Difficulty: Easy

Classification: Conceptual

Objective: 1

AACSB: Ethical understanding and reasoning abilities

22) A(n) \_\_\_\_\_ involves having to make a choice between two competing but arguably valid options.

- A) cognitive bias
- B) ethical lapse
- C) fallacy
- D) ethical dilemma

Answer: D

Page Ref: 30

Difficulty: Easy

Classification: Conceptual

Objective: 1

AACSB: Ethical understanding and reasoning abilities

23) A(n) \_\_\_\_\_ is a decision that is contrary to an individual's stated beliefs and policies of the company.

- A) fallacy
- B) cognitive bias
- C) ethnocentric viewpoint
- D) ethical lapse

Answer: D

Page Ref: 30

Difficulty: Easy

Classification: Conceptual

Objective: 1

AACSB: Ethical understanding and reasoning abilities

24) \_\_\_\_\_ is the view that your perspective is correct and the views of people in other cultures are inferior.

- A) Ethnocentricity
- B) Universality
- C) Polycentricity
- D) Regiocentricity

Answer: A

Page Ref: 30

Difficulty: Easy

Classification: Conceptual

Objective: 1

AACSB: Multicultural and diversity understanding

25) The \_\_\_\_\_ approach to ethical decision making focuses on consequences of an action.

- A) moral rights
- B) utilitarian
- C) universal
- D) justice

Answer: B

Page Ref: 31

Difficulty: Easy

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

26) Which of the following is in accordance with the utilitarian approach to ethical decision making?

- A) Do unto others as you would have them do unto everyone, including yourself.
- B) Choose the action that conforms with moral principles.
- C) Try to make decisions that result in the greatest good.
- D) Focus on the equity and process of outcomes.

Answer: C

Page Ref: 31

Difficulty: Moderate

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

27) An executive who justifies paying a bribe because it allows his company to provide the greatest good for the greatest number of people adheres to the \_\_\_\_\_ approach to ethical decision making.

- A) justice
- B) moral rights
- C) universal
- D) utilitarian

Answer: D

Page Ref: 31

Difficulty: Easy

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

28) Mark heads his firm's international division in China and has been approached by local officials on several occasions to pay a bribe. After countless failed attempts, the officials are now threatening to shut down the facility if Mark doesn't pay up. Realizing that this would render thousands of employees jobless, Mark decides to pay the bribe. Mark adopted the \_\_\_\_\_ approach in arriving at this decision.

- A) utilitarian
- B) universal
- C) moral rights
- D) justice

Answer: A

Page Ref: 31

Difficulty: Moderate

Classification: Application

Objective: 4

AACSB: Analytic skills

29) Which of the following is true regarding the utilitarian approach to ethical decision making?

- A) It examines the moral standing of actions independent of their consequences.
- B) The "goodness" or "badness" of an outcome is often subjective.
- C) One should choose a course of action that can be applied to all people under all situations.
- D) Culture and religion do not influence one's judgment of what is good or bad.

Answer: B

Page Ref: 31

Difficulty: Easy

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

Michael has been appointed as the business head of Renaissance Hotels and Spas. He is required to move to another country to oversee the establishment of the company's new properties there. He hires teams to handle the construction, outlay, and design of the hotels. However, authorities at the Ministry of Land and Resources are asking for payments in addition to the legally required fees in order for the projects to move ahead. While Michael is against corruption, he makes these payments because a lot of jobs are at stake.

30) Refer to the scenario above. Which of the following is similar to the given scenario?

- A) As an owner of a retail store, Jeremy decides to cut off his supplier in order to switch to a different supplier with lower prices.
- B) A forest officer allows a tribal community living in the forest to cut trees for personal use.
- C) Albert, who runs a sports goods store, declines a consignment of shoes from a manufacturer after learning that working conditions at the factory were extremely poor.
- D) Naomi, a designer in Georgia, refuses to pay for a damaged shipment of material that arrived via courier from India.

Answer: B

Page Ref: 31

Difficulty: Difficult

Classification: Critical Thinking

Objective: 4

AACSB: Reflective thinking skills

31) According to the \_\_\_\_\_ approach to ethical decision making, some things are just right or wrong, independent of their consequences.

- A) universal
- B) utilitarian
- C) justice
- D) moral rights

Answer: D

Page Ref: 31

Difficulty: Easy

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

32) According to philosopher Immanuel Kant, \_\_\_\_\_ form the basis of all rights.

- A) individuality and happiness
- B) freedom and autonomy
- C) fairness and equitability
- D) justice and truth

Answer: B

Page Ref: 32

Difficulty: Easy

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

33) The \_\_\_\_\_ approach to ethical decision making focuses on the equity of processes and outcomes.

- A) universal
- B) utilitarian
- C) justice
- D) moral rights

Answer: C

Page Ref: 32

Difficulty: Easy

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

34) According to the universal approach to ethical decision making, managers must first determine whether a course of action can apply to all people in all situations, then ask themselves whether \_\_\_\_\_.

- A) the act has moral significance in the community
- B) the costs and benefits of the act can be equitably distributed
- C) the rewards of the act can be equitably distributed
- D) they would want the same rule applied to themselves

Answer: D

Page Ref: 32

Difficulty: Moderate

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

35) At Pixel Inc, all promotions, pay raises, and bonuses are based on employees' attainment of their goals and the extent to which they help the organization reach its objectives. Managers are strictly instructed to disregard irrelevant criteria such as the employee's age, gender, race, and so on when allocating rewards. This is indicative of \_\_\_\_\_.

- A) procedural justice
- B) distributive justice
- C) compensatory justice
- D) interactional justice

Answer: B

Page Ref: 32

Difficulty: Moderate

Classification: Application

Objective: 4

AACSB: Analytic skills

36) Even if a manager does not intend to discriminate against a particular minority group, legal action can be brought against the firm if the minority group can prove \_\_\_\_\_.

- A) temporal immediacy
- B) disparate impact
- C) compensatory justice
- D) probability of effect

Answer: B

Page Ref: 32

Difficulty: Easy

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

37) Which aspect of the justice approach to ethical decision making is concerned with the impartial administration of decision-making processes?

- A) procuratory justice
- B) distributive justice
- C) procedural justice
- D) restorative justice

Answer: C

Page Ref: 32

Difficulty: Easy

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

38) Pixel Inc has established a system to settle employee grievances. According to this system, aggrieved employees must first approach their immediate supervisors with their problems. If the employee considers the supervisor's decision unsatisfactory, he or she may approach the next person in the chain of command. If the grievance still remains unresolved, the matter may be referred to voluntary arbitration. This system is indicative of \_\_\_\_\_.

- A) procedural justice
- B) distributive justice
- C) interactional justice
- D) compensatory justice

Answer: A

Page Ref: 32

Difficulty: Moderate

Classification: Application

Objective: 4

AACSB: Analytic skills

39) Which aspect of the justice approach to ethical decision making forms the basis of affirmative action plans?

- A) compensatory justice
- B) distributive justice
- C) procedural justice
- D) restorative justice

Answer: A

Page Ref: 32

Difficulty: Easy

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

40) \_\_\_\_\_ is the degree to which people see an issue as an ethical one.

- A) Ethnocentricity
- B) Disparate impact
- C) Moral intensity
- D) Social consensus

Answer: C

Page Ref: 33

Difficulty: Easy

Classification: Conceptual

Objective: 5

AACSB: Ethical understanding and reasoning abilities

41) The \_\_\_\_\_ associated with the outcome of a given action is the anticipated level of impact, independent of whether the consequences are positive or negative.

- A) probability of effect
- B) magnitude of the consequences
- C) concentration of effect
- D) temporal immediacy

Answer: B

Page Ref: 33

Difficulty: Easy

Classification: Conceptual

Objective: 5

AACSB: Ethical understanding and reasoning abilities

42) Pixel Inc is planning to upgrade its technology infrastructure. However, this move is likely to render more than half of its workforce redundant. Which of the following statements is true in this scenario?

- A) The magnitude of the consequence is high.
- B) The concentration of effect is low.
- C) There is a high degree of social consensus.
- D) The probability of effect is low.

Answer: A

Page Ref: 33

Difficulty: Moderate

Classification: Application

Objective: 5

AACSB: Analytic skills

43) \_\_\_\_\_ involves the extent to which members of a society agree that an act is either good or bad.

- A) Social consensus
- B) Probability of effect
- C) Concentration of effect
- D) Social order

Answer: A

Page Ref: 33

Difficulty: Easy

Classification: Conceptual

Objective: 5

AACSB: Ethical understanding and reasoning abilities

44) According to a recent survey by BizMag.com, more than 60 percent of all employees believe that pilfering office supplies for personal use is acceptable. Which of the following statements is true in this scenario?

- A) The magnitude of the consequence is high.
- B) The concentration of effect is high.
- C) There is a high degree of social consensus.
- D) The probability of effect is high.

Answer: C

Page Ref: 33

Difficulty: Moderate

Classification: Application

Objective: 5

AACSB: Analytic skills

45) The moral intensity of an issue rises and falls depending on how likely people think the consequences are. This is known as \_\_\_\_\_.

- A) proximity
- B) temporal immediacy
- C) probability of effect
- D) concentration of effect

Answer: C

Page Ref: 34

Difficulty: Easy

Classification: Conceptual

Objective: 5

AACSB: Ethical understanding and reasoning abilities

46) Pixel Inc prohibits smoking in the workplace. According to company rules, any employee found smoking on the work premises will be fined. However, managers are lax in implementing this rule and employees are regularly seen smoking in the office corridors and cafeteria. Which of the following is true in this scenario?

- A) The probability of effect is low.
- B) The concentration of effect is high.
- C) The magnitude of the consequence is high.
- D) The temporal immediacy is high.

Answer: A

Page Ref: 34

Difficulty: Moderate

Classification: Application

Objective: 5

AACSB: Analytic skills

47) Cigarette ads and smoking have not been completely outlawed in part because the \_\_\_\_\_ is not 100 percent.

- A) probability of effect
- B) anchoring effect
- C) temporal immediacy
- D) externality

Answer: A

Page Ref: 34

Difficulty: Easy

Classification: Conceptual

Objective: 5

AACSB: Ethical understanding and reasoning abilities

48) \_\_\_\_\_ is a function of the interval between the time the action occurs and the onset of its consequences.

- A) Chronological order
- B) Probability of effect
- C) Proximity
- D) Temporal immediacy

Answer: D

Page Ref: 34

Difficulty: Easy

Classification: Conceptual

Objective: 5

AACSB: Ethical understanding and reasoning abilities

49) A factory continues to dump its chemical waste into the local river in spite of government orders banning the dumping of industrial effluents in local water bodies. The company knows that the effects of the chemicals on the water will not be detected until several years later. This is an example of \_\_\_\_\_.

- A) temporal immediacy
- B) social consensus
- C) concentration of effect
- D) proximity

Answer: A

Page Ref: 34

Difficulty: Moderate

Classification: Application

Objective: 5

AACSB: Analytic skills

50) \_\_\_\_\_ refers to an individual's physical and psychological closeness to the outcome of an action.

- A) Concentration of effect
- B) Proximity
- C) Social consensus
- D) Spatial intelligence

Answer: B

Page Ref: 34

Difficulty: Easy

Classification: Conceptual

Objective: 5

AACSB: Ethical understanding and reasoning abilities

51) \_\_\_\_\_ is the extent to which consequences are focused on a few individuals or dispersed across many.

- A) Proximity
- B) Probability of effect
- C) Concentration of effect
- D) Social consensus

Answer: C

Page Ref: 34

Difficulty: Easy

Classification: Conceptual

Objective: 5

AACSB: Ethical understanding and reasoning abilities

52) The \_\_\_\_\_ perspective of social responsibility states that a manager's responsibility is to maximize profits for the owners of the business.

- A) effector
- B) effectiveness
- C) efficiency
- D) efficacy

Answer: C

Page Ref: 36

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

53) From an efficiency perspective, when the manager of a business \_\_\_\_\_, the self-interests of the owner are best achieved by serving the interests of society.

- A) is also its owner
- B) plays a purely administrative role
- C) has a strong concern for social welfare
- D) is risk averse

Answer: A

Page Ref: 37

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

54) Which of the following is true regarding the efficiency perspective of social responsibility, according to Milton Friedman?

- A) The welfare of the community is the firm's responsibility.
- B) Managers who are owners must act in the best interests of society and stakeholders.
- C) Managers should maximize profits for the shareholders in the business.
- D) Firms have obligations not only to shareholders but also to society.

Answer: C

Page Ref: 37

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

55) A major concern with the efficiency perspective is that corporations can impose indirect consequences that may not be completely understood or anticipated. In economic terms, such an unintended consequence is called a(n) \_\_\_\_\_.

- A) externality
- B) ethical lapse
- C) oligopoly
- D) random error

Answer: A

Page Ref: 38

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

56) Within the context of the efficiency perspective of social responsibility, externalities involve \_\_\_\_\_.

- A) random consequences
- B) marketplace interactions
- C) unintended consequences
- D) indirect acts of social responsibility

Answer: C

Page Ref: 38

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

57) The social responsibility perspective argues that \_\_\_\_\_.

- A) the basis of all rights stem from freedom and autonomy
- B) firms are accountable only to shareholders
- C) society grants existence to firms
- D) costs and benefits should be equitably distributed

Answer: C

Page Ref: 39

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

58) According to the principle of \_\_\_\_\_, the financial obligation corporations have to others is limited to the company and does not extend to its shareholders.

- A) limited liability
- B) distributive justice
- C) limited interest
- D) compensatory justice

Answer: A

Page Ref: 39

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

59) According to the social responsibility perspective, managers should \_\_\_\_\_.

- A) maximize returns to shareholders
- B) not consider the concerns of stakeholders beyond the firm's shareholders
- C) balance returns to shareholders against legitimate concerns of stakeholders
- D) minimize returns to shareholders and maximize returns to stakeholders

Answer: C

Page Ref: 39

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

60) A(n) \_\_\_\_\_ is an individual or group that has an interest in and is affected by the actions of an organization.

- A) social consensus
- B) cohort
- C) stakeholder
- D) accommodator

Answer: C

Page Ref: 39

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

61) Actions that benefit shareholders but harm the other stakeholders would be viewed as \_\_\_\_\_ from the efficiency perspective but \_\_\_\_\_ from the social responsibility perspective.

- A) managerially responsible; socially irresponsible
- B) socially responsible; managerially irresponsible
- C) socially irresponsible; managerially responsible
- D) managerially irresponsible; socially responsible

Answer: A

Page Ref: 41

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

62) Corporations react to the various pressures and constituencies connected to the topic of social responsibility in different ways. Companies that are \_\_\_\_\_ tend to fight efforts that they see as resulting in greater restriction and regulation of their ability to maximize profits.

- A) accommodators
- B) defenders
- C) reactors
- D) anticipators

Answer: B

Page Ref: 41

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

63) Corporations react to the various pressures and constituencies connected to the topic of social responsibility in different ways. Defenders \_\_\_\_\_.

- A) actively seek legal loopholes in conducting their business
- B) abide by the letter of the law
- C) make changes when they feel pressurized by constituencies
- D) anticipate harmful consequences independent of pressures and laws

Answer: A

Page Ref: 41

Difficulty: Moderate

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

64) Corporations react to the various pressures and constituencies connected to the topic of social responsibility in different ways. \_\_\_\_\_ tend to obey the letter of the law but do not make changes that might restrict profits unless they are required to.

- A) Reactors
- B) Anticipators
- C) Defenders
- D) Accommodators

Answer: D

Page Ref: 41

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

65) Which of the following is an example of an accommodator firm?

- A) The Hardley Accounting Firm changes its accounting practices after the introduction of the Sarbanes-Oxley Act in 2002.
- B) Ramen's retail store decides to stop using plastic bags after customers threatened to boycott its products.
- C) A biotech company fights government efforts that will restrict its ability to import raw materials.
- D) A petrochemical company takes preventive measures to protect employees from harmful chemicals within the workplace even before anyone suffers negative side effects.

Answer: A

Page Ref: 41

Difficulty: Moderate

Classification: Application

Objective: 2

AACSB: Analytic skills

66) Corporations react to the various pressures and constituencies connected to the topic of social responsibility in different ways. \_\_\_\_\_ firms make changes when they feel that pressure from constituencies is sufficient such that nonresponsiveness could have a negative economic impact on the firm.

- A) Accommodator
- B) Anticipator
- C) Reactor
- D) Defender

Answer: C

Page Ref: 41

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

67) Which of the following is an example of a reactor firm?

- A) A biotech company fights government efforts that will restrict its ability to import raw materials.
- B) A petrochemical company takes preventive measures to protect employees from harmful chemicals within the workplace even before anyone suffers negative side effects.
- C) The Hardley Accounting Firm changes its accounting practices after the introduction of the Sarbanes-Oxley Act in 2002.
- D) Ramen's retail store decides to stop using plastic bags after customers threatened to boycott its products.

Answer: D

Page Ref: 41

Difficulty: Moderate

Classification: Application

Objective: 2

AACSB: Analytic skills

68) Corporations react to the various pressures and constituencies connected to the topic of social responsibility in different ways. \_\_\_\_\_ make changes only when legally compelled to do so.

- A) Accommodators and reactors
- B) Anticipators and reactors
- C) Defenders and accommodators
- D) Reactors and anticipators

Answer: C

Page Ref: 41-42

Difficulty: Moderate

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

69) Corporations react to the various pressures and constituencies connected to the topic of social responsibility in different ways. Reactor firms focus on \_\_\_\_\_ profits.

- A) protecting
- B) obtaining
- C) maximizing
- D) sharing

Answer: A

Page Ref: 42

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

70) Corporations react to the various pressures and constituencies connected to the topic of social responsibility in different ways. \_\_\_\_\_ tend to believe that they are obligated to a variety of stakeholders not to harm them independent of laws or pressures that restrict or regulate their actions.

- A) Defenders
- B) Anticipators
- C) Reactors
- D) Accommodators

Answer: B

Page Ref: 42

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

71) Which of the following is an example of an anticipator firm?

- A) The Hardley Accounting Firm changes its accounting practices after the introduction of the Sarbanes-Oxley Act in 2002.
- B) A biotech company fights government efforts that will restrict its ability to import raw materials.
- C) A petrochemical company takes preventive measures to protect employees from harmful chemicals within the workplace even before anyone suffers negative side effects.
- D) Ramen's retail store decides to stop using plastic bags after customers threatened to boycott its products.

Answer: C

Page Ref: 42

Difficulty: Moderate

Classification: Application

Objective: 2

AACSB: Analytic skills

72) Which of the following best explains the inside-out approach to strategic corporate social responsibility?

- A) Managers can look inside the company at issues that are more rather than less important as a function of the company's strategy and business activities.
- B) Managers can look outside the company at issues the company can influence.
- C) Managers look at social issues in general terms of the extent to which they are problematic.
- D) Managers look for legal loopholes in conducting their business.

Answer: A

Page Ref: 42

Difficulty: Moderate

Classification: Conceptual

Objective: 3

AACSB: Ethical understanding and reasoning abilities

73) When managers can look outside the company at issues the company can influence, they are following the \_\_\_\_\_ approach to strategic corporate social responsibility.

- A) inside-out
- B) outside-in
- C) outside-out
- D) inside-in

Answer: B

Page Ref: 44

Difficulty: Easy

Classification: Conceptual

Objective: 3

AACSB: Ethical understanding and reasoning abilities

74) When managers look at social issues in general terms of the extent to which they are problematic they are following the \_\_\_\_\_ approach to strategic corporate social responsibility.

- A) outside-in
- B) inside-out
- C) inside-in
- D) outside-out

Answer: D

Page Ref: 44

Difficulty: Easy

Classification: Conceptual

Objective: 3

AACSB: Ethical understanding and reasoning abilities

75) A(n) \_\_\_\_\_ is a formal settlement that outlines types of behavior that are and are not acceptable.

- A) mission statement
- B) code of ethical conduct
- C) internal control
- D) performance report

Answer: B

Page Ref: 45

Difficulty: Easy

Classification: Conceptual

Objective: 6

AACSB: Ethical understanding and reasoning abilities

76) How can a company communicate ethical standards?

- A) by disseminating a one-time memo
- B) by repeatedly communicating the code in memos and company newsletters
- C) by conducting one-to-one meetings with the manager and the employee
- D) by letting employees conduct themselves in ways they think appropriate and correcting them, if need be

Answer: B

Page Ref: 47

Difficulty: Moderate

Classification: Conceptual

Objective: 6

AACSB: Ethical understanding and reasoning abilities

77) A(n) \_\_\_\_\_ is an employee who discloses illegal or unethical conduct on the part of others in the organization.

- A) connoisseur
- B) critic
- C) whistleblower
- D) analyst

Answer: C

Page Ref: 48

Difficulty: Easy

Classification: Conceptual

Objective: 6

AACSB: Ethical understanding and reasoning abilities

78) As an employee of an international aid organization, Cynthia is often required to travel to countries where natural disasters have recently occurred. During a visit to a city destroyed by an earthquake, Cynthia learns that her organization has hired child laborers to help rebuild the ruined city. She quits the organization and brings this information to the notice of the public.

Cynthia is a(n) \_\_\_\_\_.

- A) connoisseur
- B) analyst
- C) whistleblower
- D) defender

Answer: C

Page Ref: 48

Difficulty: Moderate

Classification: Application

Objective: 6

AACSB: Analytic skills

79) When companies reward employees who report valid claims of corporate unethical conduct, what are they clearly encouraging?

- A) moral intensity
- B) pay for performance
- C) compensatory justice
- D) whistleblowing

Answer: D

Page Ref: 48

Difficulty: Easy

Classification: Conceptual

Objective: 6

AACSB: Ethical understanding and reasoning abilities

80) Which of the following statements is true regarding whistleblowing?

- A) Whistleblowers report illegal acts for personal fame.
- B) Whistleblowers tend not to be disgruntled employees.
- C) Laws in the United States neither protect nor reward whistleblowing.
- D) Whistleblowers rarely use external channels to blow the whistle.

Answer: B

Page Ref: 48

Difficulty: Moderate

Classification: Conceptual

Objective: 6

AACSB: Ethical understanding and reasoning abilities

81) Which of the following is least likely to encourage whistleblowing?

- A) communicating procedures to all employees
- B) protecting whistleblowers who make valid claims
- C) having a closed-door policy
- D) investigating all claims based on consistent procedures

Answer: C

Page Ref: 48

Difficulty: Easy

Classification: Conceptual

Objective: 6

AACSB: Ethical understanding and reasoning abilities

82) The Foreign Corrupt Practices Act prohibit payments to \_\_\_\_\_.

- A) foreign shareholders
- B) foreign officials
- C) firm partners
- D) competitors

Answer: B

Page Ref: 49

Difficulty: Easy

Classification: Conceptual

Objective: 6

AACSB: Ethical understanding and reasoning abilities

83) According to the Foreign Corrupt Practices Act, which of the following can be paid to low-level government employees to perform their duties more quickly?

- A) bribes
- B) dividends
- C) facilitating payments
- D) push money

Answer: C

Page Ref: 50

Difficulty: Easy

Classification: Conceptual

Objective: 6

AACSB: Ethical understanding and reasoning abilities

84) Which of the following is true about the Foreign Corrupt Practices Act?

A) It prohibits employees of U.S. firms from making payments to low-level government employees.

B) It covers payments made to business executives.

C) It outlaws an employee from making payments to any person when the employee has "reason to know" that the payments might be used to corrupt the behavior of officials.

D) Companies and individuals found violating the act are given a warning.

Answer: C

Page Ref: 50

Difficulty: Moderate

Classification: Conceptual

Objective: 6

AACSB: Ethical understanding and reasoning abilities

85) Define ethical dilemmas and ethical lapses.

Answer: Ethical dilemmas involve decisions between two competing but arguably valid options; ethical lapses are decisions that are contrary to an individual's stated beliefs and policies of the company. It is important to keep in mind that the workforce is becoming increasingly diverse. As a result, now more than ever before, you are likely to encounter people who respond to ethical dilemmas differently. Ethical lapses are more common than you might think. The pressures emanating from both the external environment and internal company environment often can be overwhelming. This is especially true if managers lack a systematized way of thinking through dilemmas.

Page Ref: 30

Difficulty: Easy

Classification: Conceptual

Objective: 1

AACSB: Ethical understanding and reasoning abilities

86) How can the utilitarian approach be used to accommodate child labor?

Answer: The utilitarian approach focuses on the consequences of an action. When using the utilitarian approach, we try to make decisions that result "in the greatest good." Child labor has some problematic consequences. Children suffer from physical and psychological problems, they do not get opportunities to go to school, and the low pay is not enough to get them out of a life of poverty.

However, there are also consequences if children in poor regions are denied jobs in factories, stores, and so forth. These children would still be denied the opportunities for education; they will remain poor and have lesser money for food and family support. An alternative for many children who are prohibited from joining the workforce might include crime, drugs, and prostitution. This is bound to affect not only the children, but also the society at large.

Some may argue that child labor can have beneficial results for foreign investments and money in a poor country. Some might also feel that such labor practices should be ethically permissible because they produce better consequences than the alternatives, hence a stronger economy and a better society.

Page Ref: 31

Difficulty: Difficult

Classification: Critical Thinking

Objective: 4

AACSB: Reflective thinking skills

87) Discuss the moral rights approach to ethical decision making.

Answer: The moral right approach to ethical decision making focuses on an examination of the moral standing of actions independent of their consequences. According to this approach, some things are just "right" or "wrong," regardless of consequences. When two courses of action both have moral standing, then the positive and negative consequences of each should determine which one is ethical. When applying this approach, one should choose the action that conforms to moral principles and provides positive consequences.

Page Ref: 31

Difficulty: Moderate

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

88) Explain the justice approach to ethical decision making and its various forms.

Answer: The justice approach focuses on the equity of process and outcomes. In general, costs and benefits should be equitably distributed, rules should be impartially applied, and those damaged because of inequity or discrimination should be compensated. Within the justice approach, there is the distributive form of justice, the procedural form, and the compensatory form of justice.

Managers ascribing to distributive justice distribute rewards and punishments equitably based on performance. This does not mean that everyone gets the same or equal rewards or punishments; rather, they receive equitable rewards and punishments as a function of how much they contribute to or detract from the organization's goals. From this perspective, it would be wrong for a manager to distribute bonuses, promotions, or benefits based on such arbitrary characteristics as age, gender, religion, or race.

Managers ascribing to procedural justice make sure that people affected by managerial decisions consent to the decision-making process and that the process is administered impartially. Consent means that people are informed about the process and have the freedom to exit the system if they choose. As with distributive justice, the decision-making process cannot systematically discriminate against people because of arbitrary characteristics, such as age, gender, religion, or race.

The main thesis of compensatory justice is that if distributive justice and procedural justice fail or are not followed as they should be, then those hurt by the inequitable distribution of rewards should be compensated. This compensation often takes the form of money, but it can take other forms.

Recent research has also focused on interpersonal and informational justice. Interpersonal justice focuses on the polite, respectful treatment of people. Informational justice focuses on the timely communication or reasonableness of explanations of organizational actions.

Page Ref: 32

Difficulty: Moderate

Classification: Conceptual

Objective: 4

AACSB: Ethical understanding and reasoning abilities

89) What is moral intensity? Identify the six components of moral intensity.

Answer: Moral intensity is the degree to which people see an issue as an ethical one. The six components include magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, and concentration of effect. In other words, the overall moral intensity of a situation is the cumulative result of all of these components. As a manager, one can use this framework both to anticipate the moral intensity of an issue and to diagnose the reasons for differing views people have about that intensity.

Page Ref: 33

Difficulty: Moderate

Classification: Conceptual

Objective: 5

AACSB: Ethical understanding and reasoning abilities

90) Compare magnitude of consequences with probability of effect, from the perspective of moral intensity.

Answer: The magnitude of consequences associated with the outcome of a given action is the level of impact anticipated; this impact is independent of whether the consequences are positive or negative.

Probability of effect concerns the likelihood that a consequence will occur. For example, suppose a particular action could result in severe consequences and people agree about the positive or negative nature of those consequences. The intensity of their concern over the consequences will rise and fall, depending on how likely people think the consequences are. The higher the probability of the consequence, the more intense the sense of ethical obligation.

Page Ref: 33-34

Difficulty: Moderate

Classification: Conceptual

Objective: 5

AACSB: Ethical understanding and reasoning abilities

91) What does the efficiency perspective of social responsibility suggest when the manager of a business is also its owner?

Answer: According to Friedman, who presented the efficiency perspective of social responsibility most clearly, the business of business is business. In other words, a manager's responsibility is to maximize profits for the owners of the business. When a manager of a business is also its owner, the efficiency perspective argues that the self-interests of the owner are best achieved by serving the needs of society. If society demands that a product be made within certain environmental and safety standards, it is in the best interests of the owner to produce the product to meet those standards. Otherwise, customers will likely purchase competing product from rivals. Customers are more likely to purchase from firms that comply with widely shared and deeply held social values, so it makes sense for businesses to incorporate those values into their operations and products. To the extent that the cost of incorporating society's values is less than the price customers are willing to pay, the owner makes a profit.

Page Ref: 37

Difficulty: Moderate

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

92) Describe the characteristics of companies that are classified as reactors in terms of social responsibility.

Answer: Corporations react in a variety of ways to the various pressures and constituencies connected to the topic of social responsibility. These reactions can be simplified and laid out on a continuum that ranges from defensive to proactive.

Firms that make changes when they feel that pressure from constituencies is sufficient, such that nonresponsiveness could have a negative economic impact on the firm, are reactor firms. For example, a firm might change to recycled paper for boxes only when pressure from customers becomes strong enough that nonresponsiveness would lead customers to boycott its products or to simply choose products from a competitor that uses recycled paper.

Page Ref: 41

Difficulty: Easy

Classification: Conceptual

Objective: 2

AACSB: Ethical understanding and reasoning abilities

93) What is the strategic corporate social responsibility perspective? Explain the "inside-out" approach with examples.

Answer: A recent approach to corporate social responsibility tries to address the balancing act managers must engage in when responding to the concerns of all their stakeholders. It is called the strategic corporate social responsibility perspective, and it argues that three fundamental criteria can guide managers. They are the "inside-out" approach, the "outside-in" approach, and the "outside-out" approach.

In the "inside-out" approach, managers can look inside the company at issues that are more rather than less important as a function of the company's strategy and business activities. For example, as a manager at a retail store, the labor-intensive nature of one's business places a heavy emphasis on workers. In contrast, the capital-intensive nature of an aerospace corporation places a heavy emphasis on technology.

Page Ref: 42-44

Difficulty: Moderate

Classification: Conceptual

Objective: 3

AACSB: Ethical understanding and reasoning abilities

94) Who is a whistleblower?

Answer: A whistleblower is an employee who discloses illegal or unethical conduct on the part of others in the organization. Although some firms have implemented programs to encourage whistleblowing, most have not. As a group, whistleblowers tend not to be disgruntled employees but conscientious, high-performing employees. In general, whistleblowers report these incidents not for personal fame but because they believe the wrongdoings are so grave that they must be exposed.

Page Ref: 48

Difficulty: Easy

Classification: Conceptual

Objective: 6

AACSB: Ethical understanding and reasoning abilities

95) Briefly describe the Foreign Corrupt Practices Act.

Answer: The Foreign Corrupt Practices Act (FCPA) was passed in 1977 due to the disclosure that U.S. firms were making payments to foreign government officials to win government contracts and receive preferential treatment. The FCPA prohibits employees of U.S. firms from corrupting the actions of foreign officials, politicians, or candidates for office. The act also outlaws an employee from making payments to any person when the employee has "reason to know" that the payments might be used to corrupt the behavior of officials. The act also requires that firms take steps to provide "reasonable assurance" that their transactions are in compliance with the law and to keep detailed records of them.

Page Ref: 49-50

Difficulty: Moderate

Classification: Conceptual

Objective: 6

AACSB: Ethical understanding and reasoning abilities