

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) Suppose you are the son or daughter of a mobster, and you believe that it is OK to commit murder if it is in the best interest of your family. This view comes from: 1) \_\_\_\_\_
- A) your personal ethical beliefs.
  - B) societal ethics.
  - C) the reputation effect.
  - D) the Justice model of ethics.

Answer: A

- Explanation: A)  
B)  
C)  
D)

- 2) \_\_\_\_\_ are people who have an interest or claim in an organization, in what it does, and in how well it performs. 2) \_\_\_\_\_
- A) Foreign officials
  - B) Stakeholders
  - C) Technicians
  - D) Organizers

Answer: B

- Explanation: A)  
B)  
C)  
D)

- 3) Which of the following would be considered to be the lowest level of management? 3) \_\_\_\_\_
- A) Divisional managers
  - B) Line managers
  - C) Functional managers
  - D) Vice presidents

Answer: C

- Explanation: A)  
B)  
C)  
D)

- 4) \_\_\_\_\_ are the moral rules and values that a group of people uses to control the way they perform a task or use resources. 4) \_\_\_\_\_
- A) Interpersonal Ethics
  - B) Professional Ethics
  - C) Group Ethics
  - D) Individual Ethics

Answer: B

- Explanation: A)  
B)  
C)  
D)

- 5) The problem of doctors owning stock in hospitals is one of: 5) \_\_\_\_\_  
A) the conversion process. B) organizational structure.  
C) potentially competing goals. D) organizational design.

Answer: C

Explanation: A)  
B)  
C)  
D)

- 6) Determining management's rewards and incentives is primarily the responsibility of \_\_\_\_\_. 6) \_\_\_\_\_  
A) the board of directors B) the shareholders  
C) corporate management D) the CEO

Answer: D

Explanation: A)  
B)  
C)  
D)

- 7) The primary goal of capitalistic organizations is to: 7) \_\_\_\_\_  
A) satisfy employees.  
B) form long-term relationships with suppliers.  
C) maximize shareholder wealth.  
D) satisfy customers.

Answer: C

Explanation: A)  
B)  
C)  
D)

- 8) A company's top-management team consists of: 8) \_\_\_\_\_  
A) the president and executive vice president.  
B) senior vice presidents and divisional managers.  
C) executive vice presidents and vice presidents.  
D) functional and divisional managers.

Answer: A

Explanation: A)  
B)  
C)  
D)

- 9) Roger observed his manager charging personal long distance calls to the company. Roger sent an anonymous letter about the incident to an outside board. Roger: 9) \_\_\_\_\_  
A) is an ethics officer. B) is on an ethics committee.  
C) was behaving unethically. D) is a whistle-blower.

Answer: D

Explanation: A)  
B)  
C)  
D)

10) Which of the following would be considered to have a staff role? 10) \_\_\_\_\_  
A) Sales manager  
B) Executive Vice President of Finance  
C) Vice President of Accounting  
D) R&D director  
E) All are staff roles.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

11) A manager chooses to tell affected employees about an impending layoff, despite the damage this causes to the stock price of the organization. She did this because it was "the right thing to do." Which model of ethics is she using? 11) \_\_\_\_\_  
A) Utilitarian  
B) Justice  
C) Moral Rights  
D) None of the above

Answer: C

Explanation: A)  
B)  
C)  
D)

12) The skills that organizations require to perform tasks are called \_\_\_\_\_. 12) \_\_\_\_\_  
A) dividends  
B) contributions  
C) inducements  
D) payments

Answer: B

Explanation: A)  
B)  
C)  
D)

13) When delegating authority, the agency problem arises because: 13) \_\_\_\_\_  
A) the principle tends to have less information than the agent.  
B) the agent tends to have less information than the principle.  
C) the principle does not desire more duties.  
D) the agent does not want to give up power.

Answer: B

Explanation: A)  
B)  
C)  
D)

14) \_\_\_\_\_ is the major trustee for the shareholders. 14) \_\_\_\_\_  
A) An institutional investor  
B) The largest individual shareholder  
C) The chairman of the board of directors  
D) The president of the company

Answer: C

Explanation: A)  
B)  
C)  
D)

15) Which of the following outside stakeholders contributes high-quality inputs? 15) \_\_\_\_\_  
A) Customers B) Suppliers  
C) Trade unions D) The general public

Answer: B  
Explanation: A)  
B)  
C)  
D)

16) The rewards that stakeholders receive for participating in an organization are called \_\_\_\_\_. 16) \_\_\_\_\_  
A) payoffs B) kickbacks C) inducements D) contributions

Answer: C  
Explanation: A)  
B)  
C)  
D)

17) Coalitions within organizations tend to be a result of: 17) \_\_\_\_\_  
A) poor performance within the organization.  
B) conflicting goals within the organization.  
C) reduced profits.  
D) reduced market share.

Answer: B  
Explanation: A)  
B)  
C)  
D)

18) Which of the following managers has a line role? 18) \_\_\_\_\_  
A) R&D manager B) Sales manager  
C) Production manager D) Executive vice president of finance

Answer: C  
Explanation: A)  
B)  
C)  
D)

19) At Sears, management created a reward system that had the effect of making employees act unethically and overcharge customers. This was caused by: 19) \_\_\_\_\_  
A) outside pressure. B) bad individual ethics.  
C) societal ethics. D) the Moral Rights model of ethics.

Answer: A  
Explanation: A)  
B)  
C)  
D)

- 20) Societal ethics: 20) \_\_\_\_\_  
A) include unwritten norms and values.  
B) encourage companies to use tactics that lead to an institutionalized role orientation.  
C) encourage companies to use tactics that lead to an individualized role orientation.  
D) encourage companies to adopt a broad stance on social responsibility.

Answer: A

Explanation: A)  
B)  
C)  
D)

- 21) \_\_\_\_\_ evolve(s) through negotiation and compromise between stakeholders. 21) \_\_\_\_\_  
A) Organizational ethics B) Socialization tactics  
C) Rites of passage D) Social responsibility

Answer: A

Explanation: A)  
B)  
C)  
D)

- 22) To create an ethical organization, 22) \_\_\_\_\_  
A) a company should use socialization tactics that lead to an institutionalized role orientation.  
B) a company should use a bottom-up approach.  
C) top management should promote moral values and behave ethically.  
D) a company should offer employees lifetime employment.

Answer: C

Explanation: A)  
B)  
C)  
D)

- 23) Which of the following is an inside stakeholder group? 23) \_\_\_\_\_  
A) Customers B) Shareholders C) Trade unions D) Suppliers

Answer: B

Explanation: A)  
B)  
C)  
D)

- 24) When an organization tries to satisfy stakeholders, it faces all of the following problems *except*: 24) \_\_\_\_\_  
A) deciding how to allocate organizational rewards to different stakeholder groups.  
B) choosing which stakeholder goals to satisfy.  
C) losing the ability to innovate.  
D) balancing short-term and long-term goals.

Answer: C

Explanation: A)  
B)  
C)  
D)

25) Vice presidents are part of \_\_\_\_\_ management. 25) \_\_\_\_\_  
A) corporate B) divisional C) line D) functional

Answer: A

Explanation: A)  
B)  
C)  
D)

26) Which of the following employees would be considered to have a line role? 26) \_\_\_\_\_

- A) Executive Vice President of Finance
- B) R&D director
- C) Vice President of Production
- D) Sales manager
- E) All are line roles.

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

27) What does the "Tragedy of the Commons" illustrate? 27) \_\_\_\_\_

- A) That common men and women don't have the resources to make ethical decisions
- B) That individuals tend to pursue the collective goals if they are clear what they are
- C) That moral hazard is a real issue that managers need to deal with
- D) That the rational pursuit of individual self interest results in disaster

Answer: D

Explanation: A)  
B)  
C)  
D)

28) A manager decides to locate a manufacturing plant in a location that maximizes the overall benefits to the stakeholders. Which model of ethics is he/she using? 28) \_\_\_\_\_

- A) Moral Rights B) Justice
- C) Utilitarian D) None of the above

Answer: C

Explanation: A)  
B)  
C)  
D)

- 29) Who usually ensures that an organization's internal operations match strategic objectives? 29) \_\_\_\_\_
- A) The CEO
  - B) The production manager
  - C) The executive vice president of production
  - D) The president

Answer: D

Explanation: A)  
B)  
C)  
D)

- 30) Which of the following is not one of the benefits of the "Reputation Effect?" 30) \_\_\_\_\_
- A) It reduces transaction costs.
  - B) It allows organizations to charge a higher price for their products.
  - C) Customers have a positive view of the organization.
  - D) It helps managers follow ethical rules and guidelines.
  - E) All are benefits of the reputation effect.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

- 31) Which of the following are generally used to solve agency problems? 31) \_\_\_\_\_
- A) Principles not susceptible to moral hazard
  - B) Ethics Credo's
  - C) Governance mechanisms
  - D) A more authoritarian management structure

Answer: C

Explanation: A)  
B)  
C)  
D)

- 32) What does Gillette do when it receives a protest letter regarding animal testing? 32) \_\_\_\_\_
- A) They ignore it since they get very few of them.
  - B) They respond to each one of them so that the public can better understand their position.
  - C) They have the CEO telephone the sender.
  - D) They turn them over to the ethics committee for further study.

Answer: B

Explanation: A)  
B)  
C)  
D)

- 33) The coalition view of organizations: 33) \_\_\_\_\_
- A) states that all stakeholder groups are equally important.
  - B) implies that all stakeholder groups have the same goals.
  - C) states that organizations must form alliances with each other.
  - D) implies that some stakeholder groups have priority over others.

Answer: D

- Explanation: A)  
B)  
C)  
D)

- 34) Moral hazard: 34) \_\_\_\_\_
- A) is when the principle has too much authority over the agent.
  - B) is when the agent has the opportunity to unfairly influence the principle.
  - C) is when the agent is motivated to pursue their own self-interest.
  - D) is when the principle behaves unethically.

Answer: C

- Explanation: A)  
B)  
C)  
D)

- 35) Large institutional shareholders like CALPERS are doing all of the following *except*: 35) \_\_\_\_\_
- A) intervening in long-term management decisions.
  - B) monitoring the salaries and bonuses of managers.
  - C) monitoring the actions of company boards.
  - D) encouraging companies to create antitakeover provisions.

Answer: D

- Explanation: A)  
B)  
C)  
D)

- 36) Divisional managers will most likely report to which member of the top-management team? 36) \_\_\_\_\_
- A) Vice presidents
  - B) Senior vice presidents
  - C) Executive vice presidents
  - D) The board of directors

Answer: C

- Explanation: A)  
B)  
C)  
D)

- 37) Stakeholders will generally participate in an organization if 37) \_\_\_\_\_
- A) inducements exceed contributions.
  - B) inducements exceed kickbacks.
  - C) contributions exceed inducements.
  - D) payments exceed contributions.

Answer: A

- Explanation: A)  
B)  
C)  
D)

38) Managers are sometimes able to pursue their own interests at the expense of other stakeholders because managers: 38) \_\_\_\_\_

- A) have the ability to initiate a takeover.
- B) are the most powerful outside stakeholders.
- C) own the organization.
- D) have control over organizational resources.

Answer: D

Explanation: A)  
B)  
C)  
D)

39) \_\_\_\_\_ are the personal and moral standards used by individuals to structure their interactions with other people. 39) \_\_\_\_\_

- A) Interpersonal Ethics
- B) Professional Ethics
- C) Individual Ethics
- D) Societal Ethics

Answer: C

Explanation: A)  
B)  
C)  
D)

40) Which of the following statements about the CEO is false? 40) \_\_\_\_\_

- A) He or she determines top management's rewards and incentives.
- B) He or she influences stakeholders.
- C) He or she allocates resources to subunits.
- D) He or she is the chief operating officer.

Answer: D

Explanation: A)  
B)  
C)  
D)

41) A doctor was banned from practicing medicine because he consistently prescribed unnecessary procedures. This doctor: 41) \_\_\_\_\_

- A) violated professional ethics.
- B) took a broad stance on social responsibility.
- C) took a narrow stance on social responsibility.
- D) violated individual ethics.

Answer: A

Explanation: A)  
B)  
C)  
D)

42) Which of the following is an inducement? 42) \_\_\_\_\_  
A) High-quality inputs  
B) Social and economic infrastructure  
C) Stock appreciation  
D) Free and fair collective bargaining

Answer: C

Explanation: A)  
B)  
C)  
D)

43) Which of the following is an outside stakeholder group? 43) \_\_\_\_\_  
A) The workforce  
B) Shareholders  
C) Managers  
D) Unions

Answer: D

Explanation: A)  
B)  
C)  
D)

44) The chain of command in a large organization is as follows: 44) \_\_\_\_\_  
A) president, divisional managers, executive vice presidents, vice presidents  
B) CEO, president, executive vice presidents, vice presidents  
C) board, CEO, executive vice presidents, presidents  
D) CEO, president, senior vice presidents, executive vice presidents

Answer: B

Explanation: A)  
B)  
C)  
D)

45) Which of the following is *not* one of the reasons that unethical behavior occurs? 45) \_\_\_\_\_  
A) Pursuit of self-interest  
B) Unrealistic stakeholder expectations  
C) Personal ethics  
D) Outside pressure

Answer: B

Explanation: A)  
B)  
C)  
D)

46) Which of the following managers has a staff role? 46) \_\_\_\_\_  
A) Divisional manager  
B) Production manager  
C) Assembly line supervisor  
D) R&D manager

Answer: D

Explanation: A)  
B)  
C)  
D)



SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

- 51) A friend is a manager at a small technology firm that manufactures radiology equipment, such as CAT scanners. He states that shareholders want him to increase profits, so he is willing to do whatever it takes to increase profits. In fact, he has the opportunity to get a contract with a supplier who will supply parts at a lower cost, but the quality will be noticeably worse. However, as the hospital is the only one in this rural area, most patients do not have the option to go to another hospital. What can you tell your friend about behaving ethically? 51) \_\_\_\_\_

Answer: I would tell my friend that shareholders do not want profits increased by unethical acts. When an organization behaves unethically, it is a more risky investment. Furthermore, reducing quality would hurt the reputation of the company, which would cause its stock price to drop lower than the stock prices of competitors who behaved ethically. Some shareholders will withdraw support simply because they don't believe in unethical behavior. State that costs can be reduced in other ways and that ethical behavior pays off in the long run, because it gives an organization a positive reputation.

Explanation:

- 52) The Organizational Insight "Conflicting Interests in Health Care" discusses the relationship between doctors and pharmaceutical companies. The pharmaceutical companies entice doctors to prescribe their drugs through free samples, free meals, and entertainment. Using the three ethical models (utilitarian, moral rights and justice), discuss the thought process a doctor would have when faced with this situation. 52) \_\_\_\_\_

Answer: This question is a good application of the ethics models. You might have them answer as phrases. Below are some examples:

Utilitarian: "Will more people be helped or harmed if I prescribe this drug?"

Moral Rights: "Am I violating patient rights by prescribing this drug?"

Justice: "What is the fairest solution for all involved?"

Explanation:

- 53) In Agency Theory, what is "Moral Hazard?" Under what conditions does it exist? 53) \_\_\_\_\_

Answer: Moral hazard exists when principals have more information than agents, both parties have different goals, and it is difficult to evaluate how the agent performs. There are various ways to solve the agency problem. One way is through governance mechanisms, which allow the agent to more easily be monitored, and the other is through various compensation schemes designed to align the goals of the principle and the agent.

Explanation:

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 54) The hierarchy can be defined as the vertical ordering of organizational roles according to their relative authority. 54) \_\_\_\_\_

Answer:  True  False

Explanation:

- 55) The justice model tends to be the one that effective managers rely upon the most in making decisions. 55) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 56) A promotion tournament is a vehicle by which managers can help employees focus on long term, rather than short term objectives. 56) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 57) Outside stakeholders include shareholders, managers, and the workforce. 57) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 58) The stakeholder group with the ultimate authority over the organization's resources is the employees. 58) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 59) Shareholders are important inside stakeholders. 59) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 60) Gillette has been touted as a highly ethical organization due to its refusal to test cosmetics on animals. 60) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 61) The "Tragedy of the Commons" example refers to the ethical dilemmas faced when individuals pursue their own self interests. 61) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 62) Because stakeholder goals conflict, an organization should just attempt to minimally satisfy the majority of stakeholders. 62) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 63) Customers are usually the largest outside stakeholder group. 63) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 64) Behaving ethically can reduce transaction costs through the reputation effect. 64) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 65) Contributions are defined as what the organization gives back to society. 65) \_\_\_\_\_  
Answer: True  False  
Explanation:

- 66) A manager following the utilitarian model when faced with a moral decision would most likely examine what produces the greatest good for the greatest number of people. 66) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 67) Canadian doctors have lobbied provincial governments on behalf of pharmaceutical companies. 67) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 68) The board of directors selects the organization's top-management team. 68) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 69) Stock based compensation schemes help solve the agency problem by aligning individual behaviors with corporate strategy. 69) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 70) The coalitional view of organizations implies that some stakeholder groups have priority over other groups. 70) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 71) A manager following the utilitarian model when faced with a moral decision would most likely examine the fundamental rights and privileges of the people affected by the decision. 71) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 72) Moral hazard is a condition that exists when managers must make quick decisions that may go against their ethical principles. 72) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 73) A manager following the justice model when faced with a moral decision would most likely examine how fair the decision would be to affected stakeholders. 73) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 74) The CEO selects the organization's top-management team. 74) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 75) One problem with the utilitarian model is that it leaves managers to determine the relative importance of each stakeholder group. 75) \_\_\_\_\_  
Answer:  True  False  
Explanation:

- 76) When employees feel that contributions exceed inducements, they are likely to withdraw their support for the organization. 76) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 77) All stakeholder groups are equally important. 77) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 78) An organization's mission statement can be used to guide ethical behavior. 78) \_\_\_\_\_  
Answer:  True  False  
Explanation:
- 79) The Hudson's Bay company uses third-party compliance audits to ensure suppliers adhere to the company's policy on child labour . 79) \_\_\_\_\_  
Answer:  True  False  
Explanation:

Answer Key  
Testname: C2

- 1) A
- 2) B
- 3) C
- 4) B
- 5) C
- 6) D
- 7) C
- 8) A
- 9) D
- 10) E
- 11) C
- 12) B
- 13) B
- 14) C
- 15) B
- 16) C
- 17) B
- 18) C
- 19) A
- 20) A
- 21) A
- 22) C
- 23) B
- 24) C
- 25) A
- 26) C
- 27) D
- 28) C
- 29) D
- 30) B
- 31) C
- 32) B
- 33) D
- 34) C
- 35) D
- 36) C
- 37) A
- 38) D
- 39) C
- 40) D
- 41) A
- 42) C
- 43) D
- 44) B
- 45) B
- 46) D
- 47) B
- 48) C
- 49) C
- 50) A

## Answer Key

Testname: C2

51) I would tell my friend that shareholders do not want profits increased by unethical acts. When an organization behaves unethically, it is a more risky investment. Furthermore, reducing quality would hurt the reputation of the company, which would cause its stock price to drop lower than the stock prices of competitors who behaved ethically. Some shareholders will withdraw support simply because they don't believe in unethical behavior. State that costs can be reduced in other ways and that ethical behavior pays off in the long run, because it gives an organization a positive reputation.

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Justice: "What is the fairest solution for all involved?"

53) Moral hazard exists when principles have more information than agents, both parties have different goals, and it is difficult to evaluate how the agent performs. There are various ways to solve the agency problem. One way is through governance mechanisms, which allow the agent to more easily be monitored, and the other is through various compensation schemes designed to align the goals of the principle and the agent.

- 54) TRUE
- 55) FALSE
- 56) TRUE
- 57) FALSE
- 58) FALSE
- 59) TRUE
- 60) FALSE
- 61) FALSE
- 62) FALSE
- 63) TRUE
- 64) TRUE
- 65) FALSE
- 66) TRUE
- 67) TRUE
- 68) FALSE
- 69) TRUE
- 70) TRUE
- 71) FALSE
- 72) FALSE
- 73) TRUE
- 74) TRUE
- 75) TRUE
- 76) TRUE
- 77) FALSE
- 78) TRUE
- 79) TRUE