

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

1) Ethics are beliefs about what is right and wrong or good and bad.

Answer:  True  False

2) Ethical behavior is behavior that individual beliefs and social norms define as being wrong and bad.

Answer:  True  False

3) Unethical behavior complies with individual beliefs and social norms about what's right and good.

Answer:  True  False

4) Business Ethics refers to ethical or unethical behaviors by employees in the context of their personal lives.

Answer:  True  False

5) Some ethical and unethical behaviors fall into gray areas while others are widely agreed upon.

Answer:  True  False

6) The standards of behavior that guide individual managers in their work is called managerial ethics.

Answer:  True  False

7) A conflict of interest occurs when an activity may benefit the individual to the detriment of his or her employer.

Answer:  True  False

8) Today, almost all major corporations have written codes of ethics.

Answer:  True  False

9) Accepting and offering bribes is a normal part of doing business in some parts of the world.

Answer:  True  False

10) Social responsibility is an attempt by a business to balance its commitments to groups and individuals in its environment, including customers, other businesses, employees, and investors.

Answer:  True  False

11) The term *organizational stakeholder* refers to groups, individuals, and organizations that are directly affected by the practices of an organization.

Answer:  True  False

12) An employee of an organization can be considered an organizational stakeholder.

Answer:  True  False

13) Greenwashing is the use of advertising to project a green image while adopting substantive environmentally friendly changes.

Answer:  True  False

14) The marketing of environmentally friendly goods is known as environmental or ecological marketing or green marketing.

Answer:  True  False

15) Collusion is an illegal agreement between two or more companies or individuals to commit a wrongful act.

Answer:  True  False

- 16) Consumerism dedicated to protecting the rights of consumers in their dealings with businesses is known as social activism.  
Answer: True  False
- 17) Price gouging occurs when a company sells products below cost.  
Answer: True  False
- 18) Whistle-blowers may report wrongdoing to their direct supervisors, as well as to outside agencies.  
Answer:  True  False
- 19) Insider trading occurs when someone uses confidential information to gain from the purchase or sale of stocks.  
Answer:  True  False
- 20) Under a defensive stance to social responsibility, companies meet only their minimum legal requirements.  
Answer:  True  False
- 21) The proactive approach to social responsibility argues that profits should not be spent on social programs.  
Answer: True  False
- 22) Social responsibility must start at the top of the organization.  
Answer:  True  False
- 23) Because ethics are based on both individual beliefs and social concepts, they do not vary from person to person.  
Answer: True  False
- 24) What constitutes ethical behavior is determined entirely by the individual.  
Answer: True  False
- 25) What constitutes ethical and unethical behavior is determined partly by the individual and partly by the culture.  
Answer:  True  False
- 26) A manager who discriminates against African Americans in hiring exhibits both unethical and illegal behavior.  
Answer:  True  False
- 27) Hiring a relative rather than a more qualified applicant is both illegal and unethical.  
Answer: True  False
- 28) Most companies have policies that forbid buyers from accepting gifts from suppliers.  
Answer:  True  False
- 29) Ethical standards relating to business practices are fairly consistent around the world.  
Answer: True  False
- 30) The single most effective step a company can take to encourage ethical behavior is top management support.  
Answer:  True  False
- 31) The number of companies adopting written codes of ethics has declined in the last 30 years.  
Answer: True  False

- 32) Most companies have concluded that ethics training programs are ineffective.  
Answer: True  False
- 33) A company that does not act responsibly toward its customers may lose their trust and ultimately their business.  
Answer:  True  False
- 34) A business's social responsibility to investors includes following proper accounting procedures, providing appropriate information to shareholders about financial performance, and managing the organization to protect shareholder rights and investments.  
Answer:  True  False
- 35) In response to the economic turmoil of the Great Depression, the government deregulated most business activity.  
Answer: True  False
- 36) In the United States, there are increased expectations for a greater social role for business.  
Answer:  True  False
- 37) Greenwashing is using false advertising by pushing the truth to the limit.  
Answer:  True  False
- 38) Greenwashing is illegal.  
Answer: True  False
- 39) The first formal declaration of consumer rights protection occurred when President Richard M. Nixon identified four basic consumer rights.  
Answer: True  False
- 40) About half of all whistle-blowers eventually get fired.  
Answer:  True  False
- 41) Whistle-blowers can confidently report findings to higher-level managers, who can be expected to take action.  
Answer: True  False
- 42) Companies adopting an accommodative stance to social responsibility do as little as possible to solve social or environmental problems and may deny or cover up violations.  
Answer: True  False
- 43) The Ronald McDonald House is a good example of a proactive stance to social responsibility.  
Answer:  True  False
- 44) There is general consensus within the United States that social responsibility must take precedence over profits.  
Answer: True  False
- 45) In a social audit, an independent group of examiners evaluate a company's compliance with GAAP.  
Answer: True  False

46) Small businesses must answer many of the same social responsibility questions as big businesses.

Answer:  True  False

47) Many ethical responses can be learned through experience.

Answer:  True  False

48) Though an individual feels that his behavior is ethical, that behavior may still be considered unethical if social norms consider it to be so.

Answer:  True  False

49) The ethical norm of utility evaluates whether an act is relevant to the most beneficial party.

Answer:  True  False

50) The ethical norm of caring evaluates whether the decision is consistent with people's responsibilities to each other.

Answer:  True  False

51) The most essential ingredient in encouraging ethical behavior in an organization is getting all employees to buy into it.

Answer:  True  False

52) In the 1960s and 1970s, business was seen as a negative social force.

Answer:  True  False

53) Cost concerns have created reluctance to "go green" because the opportunity to make money by marketing green products to environmentally conscious consumers is not apparent.

Answer:  True  False

54) The Consumer Bill of Rights is backed by numerous federal and state laws.

Answer:  True  False

55) The consumer rights presented by President John F. Kennedy have been modified many times in order to keep up with changes in laws and regulations related to consumerism.

Answer:  True  False

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

56) \_\_\_\_\_ are beliefs about what is right and wrong or good or bad.

- A) Ethics                      B) Motivators                      C) Cultures                      D) Mores

Answer: A

57) Behavior that conforms to individual beliefs and social norms about what is right and good is referred to as \_\_\_\_\_.

- A) ethical behavior                      B) social reaction                      C) GAAP                      D) collusion

Answer: A

58) A behavior that does not conform to accepted beliefs and social norms is defined as \_\_\_\_\_.

- A) unethical behavior                      B) irresponsibility  
C) business ethics                      D) ethical behavior

Answer: A

59) \_\_\_\_\_ refers to ethical or unethical behaviors by employees in the context of their jobs.

- A) Social ethics
- B) Business ethics
- C) Social responsibility
- D) Collusion

Answer: B

60) Ethical and unethical behaviors are determined by \_\_\_\_\_.

- A) the individual
- B) the culture
- C) both the individual and the culture
- D) neither the individual nor the culture

Answer: C

61) Joe paid John less than he deserved because he knew John needed the job badly. Joe's behavior may be considered \_\_\_\_\_.

- A) illegal
- B) unethical
- C) illegal and unethical
- D) neither illegal nor unethical

Answer: B

62) Which of the following is NOT necessary to assess ethical behavior?

- A) make a judgment based on the rightness or wrongness of the activity or policy
- B) consider appropriate moral values
- C) listen to what is being said in the rumor mill
- D) gather facts

Answer: C

63) In setting ethical standards, perhaps the most effective step that a company can take is to \_\_\_\_\_.

- A) engage employees in ethics training
- B) demonstrate top management support of ethical standards
- C) adopt a code of ethics
- D) take an accommodative stance

Answer: B

64) Top managers demonstrate commitment to ethical business practices with \_\_\_\_\_.

- A) decentralized decision making practices
- B) employee empowerment
- C) the adoption of written codes of ethics
- D) collusion with other companies

Answer: C

65) Which statement is false?

- A) Social responsibility involves providing quality products and pricing products fairly.
- B) Fewer and fewer companies are adopting codes of ethics.
- C) Some ethical responses can be learned through experience.
- D) More and more companies are adopting codes of ethics.

Answer: B

66) Which of the following statements could possibly be included in a company's code of ethics?

- A) We achieve our objective through teamwork.
- B) We encourage innovation.
- C) We have respect for individuals.
- D) All of these are possibilities.

Answer: D

67) The way in which a business tries to balance its commitments to groups and individuals in its social environment is called \_\_\_\_\_.

- A) corporate responsibility
- B) business ethics
- C) socialization
- D) social responsibility

Answer: D

68) Social responsibility toward customers generally falls into two categories. What are they?

- A) providing product safety; pricing products fairly
- B) providing courteous service; pricing products fairly
- C) providing quality products; pricing products fairly
- D) providing quality products; providing courteous service

Answer: C

69) Social activism dedicated to protecting the rights of consumers in their dealings with businesses is called \_\_\_\_\_.

- A) collusion
- B) conservation
- C) consumerism
- D) whistle-blowing

Answer: C

70) Green Marketing encompasses a wide variety of business strategies and practices such as production process, product modification and

- A) painting products the color green for better advertising
- B) consumers have right to save products
- C) packaging reduction
- D) none of the above

Answer: C

71) Product advertising that some consumers consider morally objectionable would include such products as

- A) condoms
- B) alcohol
- C) underwear
- D) all of the above

Answer: D

72) Social responsibility toward employees includes \_\_\_\_\_.

- A) hiring fairly
- B) recruiting fairly
- C) promoting fairly
- D) all of the above

Answer: D

73) In maintaining and reporting its financial status, every corporation must \_\_\_\_\_.

- A) purchase stocks on margin
- B) conform to generally accepted accounting principles (GAAP)
- C) support increased stock prices
- D) use creative accounting practices

Answer: B

74) Which of the following occurs when someone uses confidential information to gain from the purchase or sale of stocks?

- A) identity theft
- B) insider trading
- C) a margin purchase
- D) collusion

Answer: B

- 75) Bob Crawford sold shares in XYZ Company after finding out from XYZ's CEO that XYZ's stock was about to drop in price. Bob engaged in \_\_\_\_\_.
- A) an accommodative stance to social responsibility
  - B) insider trading
  - C) whistle-blowing
  - D) misrepresentation of finances
- Answer: B
- 76) An employee who discovers and tries to put an end to a company's unethical, illegal, or socially irresponsible actions by publicizing them is called \_\_\_\_\_.
- A) whistle-blower
  - B) top management
  - C) investor
  - D) outside contractor
- Answer: A
- 77) The Sarbanes-Oxley Act of 2002 requires that \_\_\_\_\_.
- A) the chief financial officer engage in creative accounting
  - B) the chief financial officer guarantee the accuracy of financial reporting
  - C) the chief financial officer prevent insider trading
  - D) the chief financial officer engage in strategic management
- Answer: B
- 78) A(n) \_\_\_\_\_ stance to social responsibility involves doing as little as possible and may involve attempts to deny or cover up violations.
- A) accommodative
  - B) defensive
  - C) proactive
  - D) obstructionist
- Answer: D
- 79) A(n) \_\_\_\_\_ stance to social responsibility occurs when a company meets only the minimum legal requirements in its commitments to groups and individuals in its social environment.
- A) accommodative
  - B) proactive
  - C) defensive
  - D) obstructionist
- Answer: C
- 80) With a(n) \_\_\_\_\_ stance to social responsibility, a firm will hide wrongdoing.
- A) obstructionist
  - B) defensive
  - C) accommodative
  - D) proactive
- Answer: A
- 81) Firms that adopt a(n) \_\_\_\_\_ stance to social responsibility meet their legal requirements and exceed legal minimums when specifically asked.
- A) obstructionist
  - B) proactive
  - C) defensive
  - D) accommodative
- Answer: D
- 82) In a(n) \_\_\_\_\_ stance to social responsibility, a company actively seeks opportunities to contribute to the well being of groups and individuals in its social environment.
- A) obstructionist
  - B) defensive
  - C) proactive
  - D) accommodative
- Answer: C
- 83) The systematic analysis of an organization's success in using funds earmarked for its social responsibility goals is called a \_\_\_\_\_.
- A) governmental mandate
  - B) social audit
  - C) government initiative
  - D) community activist approach
- Answer: B

- 84) Ethical issues confronting big-businesses \_\_\_\_\_.  
A) are very different from those facing small businesses  
B) usually require more complex decision making than those issues facing small businesses.  
C) are very similar to those facing small businesses  
D) A and C  
Answer: C
- 85) Ethics are based on individual beliefs and social concepts and vary from \_\_\_\_\_.  
A) culture to culture  
B) situation to situation  
C) person to person  
D) all of the above  
Answer: D
- 86) A(n) \_\_\_\_\_ occurs when an activity may benefit the individual to the detriment of his or her employer.  
A) loss leader  
B) agency dispute  
C) conflict of interest  
D) ethical dilemma  
Answer: C
- 87) A firm's customers, competitors, stockholders, suppliers, dealers, and unions are considered \_\_\_\_\_.  
A) investors  
B) sphere of influence  
C) primary agents of interest  
D) fiduciaries  
Answer: C
- 88) Suppose a manager cheats on an expense account. Into which of the following areas of managerial ethics does this behavior fall?  
A) other economic agents' behavior toward the organization  
B) employee behavior toward the organization  
C) organizational behavior toward the employee  
D) organizational behavior toward other economic agents  
Answer: B
- 89) Through \_\_\_\_\_, companies formally acknowledge their intent to do business in an ethical manner.  
A) blue sky laws  
B) EEOC guidelines  
C) codes of ethics  
D) government regulations  
Answer: C
- 90) An example of price gouging is \_\_\_\_\_.  
A) having a lack of batteries on hand when severe weather is forecast  
B) lowering prices on gasoline after a hurricane damages an oil refinery  
C) raising prices on bottled water when there is a threat of severe weather  
D) lowering prices on gasoline immediately after September 11, 2001  
Answer: C
- 91) Organizational stakeholders can best be defined as \_\_\_\_\_.  
A) competitors  
B) individuals and groups that are directly affected by the practices of an organization  
C) the officers and key employees of an organization  
D) individuals and businesses that own stock in a company  
Answer: B



92) Which of the following groups is NOT considered an organizational stakeholder?  
A) competitors                      B) customers                      C) investors                      D) employees

Answer: A

93) Which of the following is NOT true regarding the stakeholder model of responsibility?  
A) Most companies concentrate on communities as one of their priorities.  
B) The stakeholder model does not apply to international business.  
C) Most companies concentrate on customers as one of their priorities.  
D) The stakeholder model applies to international business.

Answer: B

94) Which of the following organizations regulates advertising and pricing practices?  
A) Securities and Exchange Commission (SEC)                      B) Federal Communication Commission (FCC)  
C) Federal Trade Commission (FTC)                      D) Food and Drug Administration (FDA)

Answer: C

95) Into which two areas does social responsibility toward customers generally fall?  
A) safety and service                      B) service and quality  
C) quality and price                      D) service and price

Answer: C

96) Which of the following has NOT been identified as a basic consumer right?  
A) Consumers have a right to choose what they buy.  
B) Consumers have a right to low prices.  
C) Consumers have a right to safe products.  
D) Consumers have a right to be informed about a product.

Answer: B

97) When two or more firms agree to collaborate on wrongful acts, it is referred to as \_\_\_\_\_.  
A) monopolizing                      B) brokering                      C) consumerism                      D) collusion

Answer: D

98) Responding to increased demand with overly steep, and often unwarranted, price increases is called \_\_\_\_\_.  
A) price fixing                      B) price matching                      C) price gouging                      D) unit pricing

Answer: C

99) Sharp increases in the price of gasoline following September 11, 2001, is an example of \_\_\_\_\_.  
A) price matching                      B) price fixing  
C) price gouging                      D) price segmentation

Answer: C

100) Sam's Meat Market raised prices considerably during peak tourist seasons, knowing that consumers would be willing to pay higher prices for premium meats. This is an example of \_\_\_\_\_.  
A) price gouging                      B) price skimming                      C) collusion                      D) price fixing

Answer: A

101) A company that provides its employees with equal opportunities for advancement without regard to race, sex, or other relevant factors is meeting its \_\_\_\_\_ responsibility.  
A) social                      B) legal                      C) affirmative                      D) legal and social

Answer: D

- 102) An employee who detects and tries to put an end to a company's unethical, illegal, and/or socially irresponsible actions by publicizing them is referred to as a(n) \_\_\_\_\_.  
 A) corporate lookout  
 B) buyer's remorse  
 C) government inspector  
 D) whistle-blower  
 Answer: D
- 103) As a rule, irresponsible behavior toward shareholders means abuse of a firm's \_\_\_\_\_.  
 A) customers  
 B) managers  
 C) suppliers  
 D) financial resources  
 Answer: D
- 104) Firms accused of paying excessive salaries to senior managers or providing frivolous "perks" may be engaging in \_\_\_\_\_.  
 A) improper financial management  
 B) collusion  
 C) human resources violations  
 D) environmental pollution  
 Answer: A
- 105) Martha Stewart and Samuel Waksal were accused of \_\_\_\_\_.  
 A) insider trading  
 B) improper financial management  
 C) segmenting the market  
 D) collusion  
 Answer: A
- 106) Firms that have adopted a(n) \_\_\_\_\_ stance to social responsibility have little regard for ethical conduct and will generally go to great lengths to hide wrongdoing.  
 A) defensive  
 B) obstructionist  
 C) accommodative  
 D) proactive  
 Answer: B
- 107) In the United States, tobacco companies are legally required to include warnings to smokers on their products and to limit advertising to prescribed media. Within the U.S., they follow these rules but use more aggressive methods in countries with no such rules. As such, tobacco companies typically adopt a(n) \_\_\_\_\_ stance to social responsibility in marketing their products.  
 A) accommodative  
 B) proactive  
 C) obstructionist  
 D) defensive  
 Answer: D
- 108) Firms adopting a(n) \_\_\_\_\_ stance to social responsibility do not necessarily or proactively seek avenues for contributing, but participate after solicitation.  
 A) defensive  
 B) accommodative  
 C) obstructionist  
 D) proactive  
 Answer: B
- 109) The highest degree of social responsibility that a firm can exhibit is the \_\_\_\_\_ stance.  
 A) proactive  
 B) accommodative  
 C) defensive  
 D) obstructionist  
 Answer: A
- 110) Which of the following is NOT a step mentioned by the authors of your textbook to foster a company wide sense of social responsibility?  
 A) One executive is put in charge of the firm's agenda.  
 B) Social responsibility must start at the top.  
 C) A committee of top managers must develop a plan.  
 D) Governmental initiatives dictate starting a plan.  
 Answer: D

111) A key to business success is to decide in advance how to respond to the issues that underlie all questions of ethics and \_\_\_\_\_.

- A) social responsibility
- B) compensatory damages
- C) governmental support
- D) personnel complaints

Answer: A

112) When evaluating a decision based on the ethical norm of utility, a manager will consider which of the following questions?

- A) Does the decision optimize the benefits for those who are affected by it?
- B) Is the decision consistent with people's responsibility to each other?
- C) Is the decision consistent with what we regard as fair?
- D) Does the decision respect the rights of the individuals involved?

Answer: A

113) When evaluating a decision based on the ethical norm of rights, a manager will consider which of the following questions?

- A) Does the decision respect the rights of the individuals involved?
- B) Does the decision optimize the benefits for those who are affected by it?
- C) Is the decision consistent with what we regard as fair?
- D) Is the decision consistent with people's responsibilities to each other?

Answer: A

114) When evaluating a decision based on the ethical norm of justice, a manager will consider which of the following questions?

- A) Is the decision consistent with people's responsibilities to each other?
- B) Does the decision optimize the benefits for those who are affected by it?
- C) Does the decision respect the rights of the individuals involved?
- D) Is the decision consistent with what we regard as fair?

Answer: D

115) The most effective step that a company can take to promote ethical behavior is to \_\_\_\_\_.

- A) demonstrate top management support of ethical standards
- B) conduct frequent comprehensive audits of all financial information
- C) publicize efforts to become more ethical
- D) have employees sign a code of conduct upon hiring

Answer: A

116) According to analysts, who must take chief responsibility for educating employees about ethics?

- A) employers
- B) religious organizations
- C) parents
- D) business schools

Answer: A

117) The economic turmoil of the \_\_\_\_\_ led to new laws that described an expanded role for businesses in protecting and enhancing the general welfare of society.

- A) Middle Ages
- B) Entrepreneurial Era
- C) Great Depression
- D) Era of Social Activism

Answer: C

- 118) Which of the following firms has a policy against selling handguns and other weapons?  
 A) Target & Wal-Mart  
 B) Procter & Gamble  
 C) Home Depot  
 D) Beretta  
 Answer: A
- 119) The first formal declaration of consumer rights protection came in the early \_\_\_\_\_.  
 A) 1990s  
 B) 1800s  
 C) 1960s  
 D) 1920s  
 Answer: C
- 120) Save-a-Bunch Hardware has doubled its prices for plywood and other building supplies after a tornado strikes the area. Save-a-Bunch Hardware is likely guilty of \_\_\_\_\_.  
 A) price fixing  
 B) collusion  
 C) price lining  
 D) price gouging  
 Answer: D
- 121) Enron employee Sherron Watkins was a(n) \_\_\_\_\_, reporting concerns about the company's accounting practices.  
 A) informant  
 B) ombudsman  
 C) auditor  
 D) whistle-blower  
 Answer: D
- 122) The current whistle-blower law stems from which of the following pieces of legislation?  
 A) The False Claims Act of 1863  
 B) The Sherman Act of 1890  
 C) The Webb-Pomerene Act of 1918  
 D) The Clayton Act of 1914  
 Answer: A
- 123) Whistle-blowers can receive \_\_\_\_\_ of the monetary restitution collected by the government.  
 A) 10 percent to 20 percent  
 B) 50 percent to 60 percent  
 C) 5 percent to 10 percent  
 D) 25 percent to 30 percent  
 Answer: D
- 124) In maintaining and reporting its financial status, every corporation must conform to \_\_\_\_\_.  
 A) corporate rules  
 B) AACSP  
 C) the FDA  
 D) GAAP  
 Answer: D
- 125) IBP, a leading meat-processing firm, has a long record of breaking environmental protection, labor, and food processing laws and then trying to cover up its offenses. IBP has adopted a(n) \_\_\_\_\_ stance to social responsibility.  
 A) proactive  
 B) obstructionist  
 C) accommodative  
 D) defensive  
 Answer: B
- 126) Hi-Fly, Inc. was accused of flushing residue from its production processes into a nearby pond on the company's premises. "We own the pond," the owner responded. Which of the following approaches is being taken?  
 A) obstructionist  
 B) defensive  
 C) accommodative  
 D) proactive  
 Answer: A
- 127) Wilson Products has installed a low-quality fire alarm in its facility in compliance with local regulations. Don Wilson, the owner, stated, "We've never needed such a system. I didn't want to pay too much for this one." Which of the following stances is being taken?  
 A) proactive  
 B) obstructionist  
 C) accommodative  
 D) defensive  
 Answer: D

128) Which stance do tobacco companies usually take in their marketing efforts?  
A) accommodative                      B) proactive                      C) obstructionist                      D) defensive

Answer: D

129) A company adopting a(n) \_\_\_\_\_ stance to social responsibility would likely install pollution control equipment dictated by the law, but would be unlikely to install higher quality equipment, even if it might further limit pollution.

A) obstructionist                      B) proactive                      C) accommodative                      D) defensive

Answer: D

130) Acme Inc. meets its legal and ethical requirements. In addition, Acme donates \$50,000 per year to local charities when asked. Which of the following approaches is being taken?

A) proactive                      B) obstructionist                      C) accommodative                      D) defensive

Answer: C

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

131) What is meant by *business ethics*?

Answer: *Business ethics* is a term often used to refer to ethical or unethical behaviors by employees in the context of their jobs.

132) Briefly describe an issue of managerial ethics relating to behavior toward employees.

Answer: Answers will vary; however, many answers will include matters such as hiring, firing, wages, working conditions, privacy, and respect.

133) What is a written code of ethics?

Answer: A written code of ethics formally announces a company's intent to do business in an ethical manner.

134) How are social responsibility and ethics related?

Answer: Ethics affect individual behavior in the workplace. Social responsibility is a related concept, but it refers to the overall way in which a business attempts to balance its commitments to relevant groups and individuals in its social environment.

135) What groups typically comprise organizational stakeholders?

Answer: Such stakeholders include customers, employees, investors, suppliers, and the local community.

136) Define *consumerism*.

Answer: Consumerism is social activism dedicated to protecting the rights of consumers in their dealings with businesses.

137) What is collusion?

Answer: Collusion occurs when two or more firms agree to collaborate on such wrongful acts as price fixing; price fixing occurs when firms illegally control supplies and prices of products.

138) What is whistle-blowing?

Answer: Whistle-blowing occurs when employees report unethical acts by their employers to outside regulatory agencies or to the media.

139) What is ethical behavior?

Answer: Ethical behavior is behavior that conforms to individual beliefs and social norms about what is right and good. Unethical behavior is behavior that individual beliefs and social norms define as being wrong and bad.

140) How can companies promote ethical behavior?

Answer: The single most effective step that a company can take to encourage ethical behavior is to demonstrate top management support. Companies can formalize this commitment through written codes of ethics and ethics training programs.

141) What is the difference between ethics and social responsibility?

Answer: Ethics are beliefs about what is right and wrong or good and bad. Ethics affect individual behavior in the workplace. Social responsibility refers to the way in which a business tries to balance its commitments to groups and individuals in its social environment.

142) When defining its sense of social responsibility, a firm typically confronts what areas of concern?

Answer: A firm typically confronts and has social responsibility for the following five areas: its customers, its employees, its investors, its suppliers, and local communities.

143) Identify at least two issues of ethics in advertising.

Answer: Answers will vary but may include (1) controversies surrounding the potential misinterpretation of words and phrases such as light, reduced calorie, diet, and low fat; (2) misleading advertising; and (3) advertising of morally objectionable products.

144) What will a social audit reveal?

Answer: A social audit will confirm the success of a company's intended social program; the audit will determine whether a company fell short on its social intentions.

145) How do issues of social responsibility and ethics affect small business?

Answer: Small businesses must address more or less the same issues as big businesses—differences are primarily differences of scale.

146) Describe the three-step model for applying ethical judgments.

Answer: The three-step model includes (1) gathering the relevant factual information; (2) determining the most appropriate moral values; and (3) making an ethical judgment based on the rightness or wrongness of the proposed activity or policy.

147) Describe the four ethical norms.

Answer: The norm of utility considers whether an act optimizes the benefits to those who are affected by it. The norm of rights considers whether an act respects the rights of the individuals involved. The norm of justice considers whether the act is consistent with what is fair. The norm of caring considers whether the act is consistent with people's responsibility to each other.

148) What are two of the most common approaches to formalizing top management commitment to ethical business practices?

Answer: Two of the most common approaches are the adopting of written codes of ethics and instituting ethics programs.

149) How can a firm demonstrate social responsibility to its customers?

Answer: Businesses that demonstrate social responsibility to their customers treat them fairly and honestly by charging fair prices, honoring warranties, meeting delivery commitments, and standing behind the quality of the products that they sell.

150) What are the four basic consumer rights first identified by President John F. Kennedy and now backed by numerous federal and state laws?

Answer: The four basic consumer rights first identified by John F. Kennedy are (1) consumers have a right to safe products; (2) consumers have a right to be informed about all relevant aspects of a product; (3) consumers have a right to be heard; and (4) consumers have a right to choose what they buy.

151) What is insider trading? How does it benefit the investor?

Answer: Insider trading is using confidential information to gain from the purchase or sale of stocks. Confidential information is information that is not available to the general public but that is available to a few people because of their position within a company. Investors with inside information are able to sell a stock at a high price just before a piece of negative information becomes public and the price plummets, thus preventing a big loss. Similarly, an investor with inside information may buy stock at a low price, just before a piece of favorable information becomes public and the price of the stock increases.

152) Identify at least two arguments against social responsibility as a business goal.

Answer: Some skeptics of business-sponsored social projects fear that if businesses become too active, they will gain too much control over the ways in which those projects are addressed by society as a whole. Other critics claim that business organizations lack the expertise needed to address social issues.

153) Name the four most common approaches to social responsibility.

Answer: Companies can take an obstructionist, defensive, accommodative, or proactive stance to social responsibility. Companies adopting an obstructionist stance to social responsibility do as little as possible to solve social and environmental problems and may deny or cover up violations. Companies adopting a defensive stance meet the minimum legal requirements, but typically nothing beyond those actions required by law. Companies adopting an accommodative stance meet all legal requirements and will exceed the legal minimums when solicited by individuals or groups in its social environment. Finally, companies adopting a proactive stance actively seek opportunities to contribute to the well being of groups and individuals in their social environment.

154) What steps must managers take to foster a company-wide sense of social responsibility?

Answer: Managers must take the following steps to foster a company-wide sense of social responsibility: (1) top management must support the effort and develop a policy statement outlining that commitment; (2) a committee of top managers must develop a plan detailing the level of management support; (3) one executive must be put in charge of the firm's agenda; and (4) the organization must conduct occasional social audits.

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

155) Describe the stakeholder model of social responsibility.

Answer: Companies that strive to be responsible to their stakeholders concentrate on five main groups: customers, employees, investors, suppliers, and the local communities where they do business. To be responsible toward their customers, businesses strive to be fair in their pricing, honor warranties, meet delivery commitments, and stand behind the quality of their products. Businesses that are socially responsible toward their employees treat them fairly, make them a part of the team, and respect their dignity and basic human needs. To be responsible toward investors, businesses follow proper accounting procedures, provide appropriate information to shareholders about financial performance, and manage the organization to protect shareholders rights and investments. Businesses are responsible toward suppliers when they provide realistic delivery schedules and reduced profit margins; many businesses keep their suppliers informed about future plans and work to partner with them. To be responsible toward communities, businesses often give back through charitable programs and local causes.

156) How do organizations exercise social responsibility toward the environment?

Answer: Many organizations adopt methods that will reduce greenhouse emissions and control pollution. Although noise pollution is now attracting increased concern, air, water, and land pollution remain the greatest problems in need of solutions from businesses. Companies often install pollution-controlling devices that prevent eventual buildup of acid rain. Businesses are also taking advantage of new forms of solid-waste disposal; further, they are working to limit toxic wastes left over from their production processes. Recycling has gained tremendous attention from businesses in recent years; some controversy exists regarding proper recycling since some materials and products do not recycle well.

157) How do organizations exercise social responsibility toward customers?

Answer: Much of what organizations do to act responsibly toward customers is driven by the state and federal laws that surround consumer rights. Consumers have the right to safe products, a right to be informed about relevant aspects of a product, a right to be heard, a right to choose what they buy, a right to be educated about purchases, and a right to courteous service. Businesses acting responsibly prevent unfair pricing, which comes in the form of price fixing and/or price gouging. In addition, businesses work to promote ethics in advertising. Increased attention is given to proper wording in ads, to whom ads are directed, contents of packages, proper labeling, as well as to avoiding morally objectionable advertisements.

158) Explain the steps that an organization must take to foster a company-wide sense of social responsibility.

Answer: Social responsibility must first start at the top. No program can succeed without top management support; top management must issue a statement announcing the commitment. A committee of top managers must then develop a plan detailing the level of management support; some companies set aside percentages of profits for social programs. At this point, managers must set specific priorities. Then, one executive must be put in charge of the firm's agenda; this individual must monitor the program and ensure that its implementation is consistent with the firm's policy statement. The organization must conduct social audits, which are systematic analyses of the firm's success in using funds earmarked for its social responsibility goals. Failing an audit should prompt a rethinking of the program's implementation and its priorities.



159) Describe the four approaches to social responsibility.

Answer: The approaches to social responsibility include the obstructionist stance, the accommodative stance, the defensive stance, and the proactive stance. With an obstructionist stance, an organization usually does as little as possible to solve social or environmental problems. When the organization crosses the ethical or legal line that separates acceptable from unacceptable practices, its typical response is to deny or cover up its actions. With an accommodative stance, a firm meets its legal and ethical requirements but will also go further in certain areas. Such firms voluntarily agree to participate in social programs, for example, but solicitors must convince them that given programs are worthy of their support. Firms assuming a defensive stance will do everything that is required of them legally but nothing more. This approach is most consistent with arguments against corporate social responsibility. In taking a proactive stance, a firm practices the highest degree of social responsibility. Firms of this nature take to heart the arguments in favor of social responsibility; they see themselves as citizens of society and proactively seek opportunities to contribute.

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

160) What is an encrypted e-mail message?

Answer: An encrypted e-mail message is configured so that only intended recipients can view it.

161) In this scenario, to what does "the electronic equivalent of paper shredding" refer?

Answer: "The electronic equivalent of paper shredding" refers to the ability of senders of e-mail messages to specify an expiration date after which garbled messages can no longer be decrypted.

162) What does *jeitinho* mean?

Answer: *Jeitinho* means "to find a way."

163) What does *jeitinho* involve?

Answer: *Jeitinho* may involve the use of personal connections, bending of rules, or the direct payment of a bribe in order to get something done.

164) Why might it be difficult for an American business to conduct business in a country in which bribes, and *jeitinho*, are acceptable?

Answer: The use of bribes is forbidden in the United States as presented in the Foreign Corrupt Practices Act. However, when conducting business abroad, U.S. companies must still adhere to U.S. law even though foreign corporations may engage in bribes and other unacceptable actions.

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

#### Short Case Scenario 2-1

MKD Transportation owns and operates a fleet of container ships and tankers that transport goods around the globe. Company executives have just been contacted by the media with a credible report that one of their ships is leaking an oily substance off the coast of Belize. If true, some of the world's most beautiful coral reefs could be in danger. On the other hand, the captain of the ship in question has not notified the company of any problem, and cleanup could be very costly. Environmental groups and the government of Belize have demanded that the company admit responsibility and immediately begin cleanup.

165) Managers at MKD claim to exercise ethical behavior toward their employees. What matters might this behavior cover?

Answer: This behavior covers such matters as hiring, firing, wages, working conditions, privacy, respect, and honesty in dealing with them.

- 166) If MKD were to adopt a written code of ethics, what would it include generally?  
Answer: All codes of ethics announce their intent to do business in an ethical manner.
- 167) In an attempt to act socially responsibly toward investors, on what might MKD focus?  
Answer: MKD will likely focus on protecting the company's financial resources and guaranteeing proper financial management.
- 168) If MKD implements a formal social responsibility program, to what extent will top management be involved?  
Answer: To be successful, top management must fully support the program from the very beginning.
- 169) If the general public were to follow the three-step model for applying ethical judgments to situations, what would the public do?  
Answer: The general public would gather relevant factual information. The public would then analyze the facts to determine the appropriate moral values, followed by making ethical judgments based on the rightness or wrongness of MKD's policy.
- 170) Who are MKD Transportation's stakeholders?  
Answer: Stakeholders are those groups, individuals, and organizations that are directly affected by the practices of an organization and who, therefore, have a stake in its performance. MKD's stakeholders would include its employees, its stockholders and investors, its suppliers, its customers, and the communities and countries in which it operates. In this case, the nation of Belize is a stakeholder as are environmental groups who are concerned with the impact of the company's operations on the environment.
- 171) What might the general public begin to think about MKD's responsibilities toward the environment?  
Answer: MKD's quick response—or lack of one—will determine the public's perceptions of it. Timing is critical at this point.
- 172) MKD Transportation's managers strongly believe in consumer rights. What does this mean?  
Answer: MKD managers recognize that customers have a right to safe products, to be informed and educated about products, to be heard, to choose what they buy, and to courteous service.
- 173) If MKD adopts an obstructionist stance, how will the company respond to this report?  
Answer: If MKD uses this approach, executives will likely deny any responsibility when responding to media reports. If possible, they will likely contact the ship's captain and advise him to try to move the ship as soon as possible. It is very unlikely that they will comply with the demands of the government of Belize or environmental groups.
- 174) If MKD adopts a defensive stance, how will the company respond to this situation?  
Answer: MKT will file the necessary reports and perform any cleanup that is legally required. However, they will not exceed the actions required by law.
- 175) If MKD adopts an accommodative stance, how will the company respond to the media and demands by the government of Belize and environmental groups?  
Answer: MKD will likely admit responsibility for the spill and immediately initiate the cleanup. MKD may even make a donation to the local tourist bureau or environmental groups.

176) How might this situation have been different in the event that MKD had initially adopted a proactive stance to social responsibility?

Answer: MKD may have directed its ships to stay clear of environmentally sensitive areas, such as the coast of Belize, even if it lengthened routes and increased costs. They may have also installed extra equipment on their tankers to prevent leaks from occurring and to detect leaks as soon as possible.

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

177) Will MKD be able to greenwash their company after this?

Answer: If they clear up the environment, they could advertise their green image and not make notice of what they originally did to the environment.