

Business Essentials, 8e (Ebert/Griffin)

Chapter 2 Business Ethics and Social Responsibility

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

Answer: TRUE

Diff: 1 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

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

Answer: FALSE

Diff: 1 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

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

Answer: FALSE

Diff: 1 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

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

Answer: FALSE

Diff: 1 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

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

Answer: TRUE

Diff: 1 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

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

Answer: TRUE

Diff: 1 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

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

Answer: TRUE

Diff: 1 Page Ref: 23

Reference: Learning Objective 1 / Ethics in the Workplace

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

Answer: TRUE

Diff: 1 Page Ref: 24

Reference: Learning Objective 1 / Business and Managerial Ethics

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

Answer: TRUE

Diff: 1 Page Ref: 25

Reference: Learning Objective 1 / Ethics in the Workplace

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

Diff: 1 Page Ref: 26

Reference: Learning Objective 2 / Social Responsibility

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

Answer: TRUE

Diff: 1 Page Ref: 26

Reference: Learning Objective 2 / Social Responsibility

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

Answer: TRUE

Diff: 1 Page Ref: 26

Reference: Learning Objective 2 / Social Responsibility

13) In recent years, companies have found that they can increase profits by going green.

Answer: TRUE

Diff: 1 Page Ref: 28

Reference: Learning Objective 3 / Areas of Social Responsibility

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

Answer: FALSE

Diff: 1 Page Ref: 28

Reference: Learning Objective 3 / Areas of Social Responsibility

15) Consumerism is a form of social activism dedicated to protecting the rights of consumers in their dealings with businesses.

Answer: TRUE

Diff: 2 Page Ref: 29

Reference: Learning Objective 3 / Areas of Social Responsibility

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

Answer: TRUE

Diff: 1 Page Ref: 29

Reference: Learning Objective 3 / Areas of Social Responsibility

17) Price gouging occurs when a company sells products below cost.

Answer: FALSE

Diff: 1 Page Ref: 29

Reference: Learning Objective 3 / Areas of Social Responsibility

18) Whistle-blowers may report wrongdoing to their direct supervisors, as well as to outside agencies.

Answer: TRUE

Diff: 1 Page Ref: 31

Reference: Learning Objective 3 / Areas of Social Responsibility

19) Insider trading occurs when someone uses confidential information to gain from the purchase or sale of stocks.

Answer: TRUE

Diff: 1 Page Ref: 31

Reference: Learning Objective 3 / Areas of Social Responsibility

20) Under a defensive stance to social responsibility, companies meet only their minimum legal requirements.

Answer: TRUE

Diff: 1 Page Ref: 33

Reference: Learning Objective 4 / Approaches to Social Responsibility

21) The proactive approach to social responsibility argues that profits should not be spent on social programs.

Answer: FALSE

Diff: 1 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

22) Social responsibility must start at the top of the organization.

Answer: TRUE

Diff: 1 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

23) Because ethics are based on both individual beliefs and social concepts, they do not vary from person to person.

Answer: FALSE

Explanation: Ethics vary from person to person, situation to situation, and culture to culture.

Diff: 2 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

24) What constitutes ethical behavior is determined entirely by the individual.

Answer: FALSE

Explanation: Ethical and unethical behavior is determined partly by the individual and partly by the culture.

Diff: 2 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

25) What constitutes ethical and unethical behavior is determined partly by the individual and partly by the culture.

Answer: TRUE

Explanation: Social standards are broad enough to support differences in beliefs; in addition, without violating general standards, people may develop personal codes of ethics reflecting a wide range of attitudes and beliefs.

Diff: 2 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

26) A manager who discriminates against African Americans in hiring exhibits both unethical and illegal behavior.

Answer: TRUE

Explanation: In many other scenarios, however, many decisions may not be illegal but may be objectionable on ethical grounds.

Diff: 2 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

27) Some actions, such as stealing during periods of natural disaster, may be illegal yet considered ethical.

Answer: TRUE

Explanation: This decision may be objectionable on ethical grounds; however, this decision is not illegal.

Diff: 2 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

28) Most companies have policies that forbid buyers from accepting gifts from suppliers.

Answer: TRUE

Explanation: Such gifts may be construed as being bribes to induce favoritism.

Diff: 2 Page Ref: 23

Reference: Learning Objective 1 / Ethics in the Workplace

29) Ethical standards relating to business practices are fairly consistent around the world.

Answer: FALSE

Explanation: Global variations in business practices are a problem; in many countries, for example, bribes are a normal part of doing business.

Diff: 2 Page Ref: 24

Reference: Learning Objective 1 / Ethics in the Workplace

30) The single most effective step a company can take to encourage ethical behavior is upper-management support.

Answer: TRUE

Explanation: This policy contributes to a culture that values ethical standards and announces that the firm is as concerned with good citizenship as with profits.

Diff: 2 Page Ref: 25

Reference: Learning Objective 1 / Ethics in the Workplace

31) The number of companies adopting written codes of ethics has declined in the last 30 years.

Answer: FALSE

Explanation: The number of such companies has dramatically risen in the last three decades; most major corporations have codes of ethics.

Diff: 2 Page Ref: 25

Reference: Learning Objective 1 / Ethics in the Workplace

32) Most companies have concluded that ethics training programs are ineffective.

Answer: FALSE

Explanation: Most analysts agree that companies must take the chief responsibility for educating employees on ethical behavior.

Diff: 2 Page Ref: 25

Reference: Learning Objective 1 / Ethics in the Workplace

33) 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

Explanation: Further, these managers should be accurate and candid in assessing future growth and profitability, and they should avoid even the appearance of impropriety in any reporting.

Diff: 2 Page Ref: 27

Reference: Learning Objective 2 / Social Responsibility

34) In response to the economic turmoil of the Great Depression, the government deregulated most business activity.

Answer: FALSE

Explanation: On the contrary, many people blamed the turmoil of the Great Depression for creating a climate of business greed and a lack of constraint. Out of this turmoil emerged new laws that dictated an expanded role for business in protecting and enhancing the general welfare of society.

Diff: 2 Page Ref: 27

Reference: Learning Objective 2 / Social Responsibility

35) In the United States, there are increased expectations for a greater social role for business.

Answer: TRUE

Explanation: Critics, for example, are calling for tighter standards for business practices and increased control on accounting procedures.

Diff: 2 Page Ref: 27

Reference: Learning Objective 2 / Social Responsibility

36) A company that does not act responsibly toward its customers may lose their trust and ultimately their business.

Answer: TRUE

Explanation: There are many examples, however, in which government does control or regulate much of what businesses do.

Diff: 2 Page Ref: 28

Reference: Learning Objective 3 / Areas of Social Responsibility

37) Greenwashing is using false advertising by pushing the truth to the limit.

Answer: TRUE

Explanation: Greenwashing is using advertising to imply a green image without really adopting permanent environmentally friendly changes.

Diff: 2 Page Ref: 28

Reference: Learning Objective 3 / Areas of Social Responsibility

38) The practice of greenwashing is socially responsible.

Answer: FALSE

Explanation: In January 2008 the FTC began hearings to determine the truth of many green marketing claims, however, no companies have been censured for false advertising yet.

Diff: 2 Page Ref: 28

Reference: Learning Objective 3 / Areas of Social Responsibility

39) The first formal declaration of consumer rights protection occurred when President Richard M. Nixon identified four basic consumer rights.

Answer: FALSE

Explanation: It was during John F. Kennedy's administration that the four basic consumer rights were outlined.

Diff: 2 Page Ref: 29

Reference: Learning Objective 3 / Areas of Social Responsibility

40) About half of all whistle-blowers eventually get fired.

Answer: TRUE

Explanation: One recent study reveals that about half of all whistle-blowers get fired; about half of those who get fired subsequently lose their homes and/or families.

Diff: 2 Page Ref: 31

Reference: Learning Objective 3 / Areas of Social Responsibility

41) Whistle-blowers can confidently report findings to higher-level managers, who can be expected to take action.

Answer: FALSE

Explanation: Many whistle-blowers find themselves in trouble with their employers; many whistle-blowers are sometimes demoted or fired when they make certain accusations public.

Diff: 2 Page Ref: 31

Reference: Learning Objective 3 / Areas of Social Responsibility

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: FALSE

Explanation: Firms taking an accommodative stance will meet their legal and ethical requirements but will also go further in certain cases.

Diff: 2 Page Ref: 32-33

Reference: Learning Objective 4 / Approaches to Social Responsibility

43) The Ronald McDonald House is a good example of a proactive stance to social responsibility.

Answer: TRUE

Explanation: A proactive stance is the highest degree of social responsibility that a firm can exhibit.

Diff: 2 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

44) There is general consensus within the United States that social responsibility must take precedence over profits.

Answer: FALSE

Explanation: Opinions differ dramatically concerning the role of social responsibility as a business goal; some people oppose any business activity that threatens profits.

Diff: 2 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

45) In a social audit, an independent group of examiners evaluate a company's compliance with GAAP.

Answer: FALSE

Explanation: A social audit is a systematic analysis of a firm's success in using funds earmarked for its social responsibility goals.

Diff: 2 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

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

Answer: TRUE

Explanation: Small businesses must answer many of the same questions as big businesses in the areas of ethics and social responsibility.

Diff: 2 Page Ref: 34

Reference: Learning Objective 5 / Social Responsibility and the Small Business

47) An individual's personal code of ethics is shaped by their life experiences.

Answer: TRUE

Explanation: Experience alone can guide individuals toward the "right" ethics responses; a cited example is Johnson & Johnson's reaction in the Tylenol case.

Diff: 3 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

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

Explanation: What constitutes ethical and unethical behavior is determined partly by the individual and partly by the culture.

Diff: 3 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

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

Answer: FALSE

Explanation: It should be determined if all relevant parties receive equal benefits.

Diff: 3 Page Ref: 24

Reference: Learning Objective 1 / Ethics in the Workplace

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

Answer: TRUE

Explanation: This ethical norm addresses whether a decision is consistent with people's responsibilities to each other.

Diff: 3 Page Ref: 24

Reference: Learning Objective 1 / Ethics in the Workplace

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

Answer: FALSE

Explanation: Top management support is the most critical element in encouraging ethical behavior in organizations.

Diff: 3 Page Ref: 25

Reference: Learning Objective 1 / Ethics in the Workplace

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

Answer: TRUE

Explanation: Some critics even charged that defense contractors had helped to promote the Vietnam War to spur their own profits.

Diff: 3 Page Ref: 27

Reference: Learning Objective 2 / Social Responsibility

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: FALSE

Explanation: It is becoming increasingly apparent.

Diff: 3 Page Ref: 28

Reference: Learning Objective 2 / Social Responsibility

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

Answer: TRUE

Explanation: The six steps of the Consumer Bill of Rights make it easy to implement.

Diff: 3 Page Ref: 28

Reference: Learning Objective 3 / Areas of Social Responsibility

55) In recent years, there have been fewer concerns about ethics in advertising.

Answer: FALSE

Explanation: These original rights are backed by numerous federal and state laws.

Diff: 3 Page Ref: 30

Reference: Learning Objective 3 / Areas of Social Responsibility

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

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

Answer: D

Diff: 1 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

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

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

Answer: C

Diff: 1 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

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

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

Answer: B

Diff: 1 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

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

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

Answer: B

Diff: 1 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

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

Diff: 1 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

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

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

Answer: D

Diff: 1 Page Ref: 24

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

62) In setting ethical standards, perhaps the most effective step that a company can take is to _____.

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

Answer: B

Diff: 1 Page Ref: 25

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

63) Top managers demonstrate commitment to ethical business practices with _____.

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

Answer: A

Diff: 1 Page Ref: 25

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

64) Which statement is *false*?

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

Answer: A

Diff: 1 Page Ref: 25

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

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

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

Answer: D

Diff: 1 Page Ref: 25

Reference: Learning Objective 1 / Ethics in the Workplace

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

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

Answer: D

Diff: 1 Page Ref: 26

Reference: Learning Objective 2 / Social Responsibility

67) _____ are groups, individuals, and organizations that are directly affected by the practices of an organization.

- A) Whistle-blowers
- B) Social audits
- C) Directors
- D) Organizational stakeholders

Answer: D

Diff: 1 Page Ref: 26

Reference: Learning Objective 2 / Social Responsibility

68) Social activism dedicated to protecting the rights of consumers in their dealings with businesses is called _____.

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

Answer: B

Diff: 1 Page Ref: 29

Reference: Learning Objective 3 / Areas of Social Responsibility

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

- A) reducing prices.
- B) packaging reduction.
- C) painting products.
- D) price gouging.

Answer: B

Diff: 1 Page Ref: 29

Reference: Learning Objective 3 / Areas of Social Responsibility

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

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

Answer: D

Diff: 1 Page Ref: 30

Reference: Learning Objective 3 / Areas of Social Responsibility

71) 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) top management
- B) an outside contractor
- C) a whistle-blower
- D) an investor

Answer: C

Diff: 1 Page Ref: 31

Reference: Learning Objective 3 / Areas of Social Responsibility

72) In maintaining and reporting its financial status, every corporation must _____.

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

Answer: A

Diff: 1 Page Ref: 32

Reference: Learning Objective 3 / Areas of Social Responsibility

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

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

Answer: C

Diff: 1 Page Ref: 32

Reference: Learning Objective 3 / Areas of Social Responsibility

74) 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) whistle-blowing
- B) misrepresentation of finances
- C) insider trading
- D) an accommodative stance to social responsibility

Answer: C

Diff: 1 Page Ref: 32

Reference: Learning Objective 3 / Areas of Social Responsibility

- 75) The Sarbanes-Oxley Act of 2002 requires that _____.
A) the chief financial officer prevent insider trading
B) the chief financial officer engage in strategic management
C) the chief financial officer guarantee the accuracy of financial reporting
D) the chief financial officer engage in creative accounting

Answer: C

Diff: 1 Page Ref: 32

Reference: Learning Objective 4 / Approaches to Social Responsibility

AACSB: Ethical understanding and reasoning abilities

- 76) With a(n) _____ stance to social responsibility, a firm will hide wrongdoing.

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

Answer: B

Diff: 1 Page Ref: 33

Reference: Learning Objective 4 / Approaches to Social Responsibility

- 77) 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) obstructionist
- C) proactive
- D) defensive

Answer: B

Diff: 1 Page Ref: 33

Reference: Learning Objective 4 / Approaches to Social Responsibility

- 78) 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) obstructionist
- C) proactive
- D) defensive

Answer: D

Diff: 1 Page Ref: 33

Reference: Learning Objective 4 / Approaches to Social Responsibility

79) Firms that adopt a(n) _____ stance to social responsibility meet their legal requirements and exceed legal minimums when specifically asked.

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

Answer: A

Diff: 1 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

80) 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) accommodative
- B) obstructionist
- C) proactive
- D) defensive

Answer: C

Diff: 1 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

81) The systematic analysis of an organization's success in using funds earmarked for its social responsibility goals is called a _____.

- A) governmental mandate
- B) community activist approach
- C) social audit
- D) government initiative

Answer: C

Diff: 1 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

82) Ethics are based on individual beliefs and social concepts and vary from _____.

- A) person to person
- B) situation to situation
- C) culture to culture
- D) all of the above

Answer: D

Explanation: D) Further, social standards are broad enough to support differences in beliefs. Without violating general standards, people may develop personal codes of ethics reflecting a wide range of attitudes and beliefs, for example.

Diff: 2 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

83) A(n) _____ occurs when an activity may benefit the individual to the detriment of his or her employer.

- A) agency dispute
- B) loss leader
- C) conflict of interest
- D) ethical dilemma

Answer: C

Explanation: C) For example, many companies have policies that forbid buyers from accepting gifts from suppliers since such gifts might be construed as a bribe or an attempt to induce favoritism.

Diff: 2 Page Ref: 23

Reference: Learning Objective 1 / Ethics in the Workplace

84) A firm's customers, competitors, stockholders, suppliers, dealers, and unions are considered _____.

- A) fiduciaries
- B) investors
- C) sphere of influence
- D) primary agents of interest

Answer: D

Explanation: D) Ethics often comes into play in the relationship between the firm and these primary agents; there is room for ethical ambiguity in about every activity.

Diff: 2 Page Ref: 24

Reference: Learning Objective 1 / Ethics in the Workplace

85) The ethical norm of _____ considers if all relevant parties receive equally useful benefits.

- A) utility
- B) rights
- C) justice
- D) caring

Answer: A

Diff: 2 Page Ref: 24

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

86) The ethical norm of _____ considers if the decision is fair.

- A) utility
- B) rights
- C) justice
- D) caring

Answer: C

Diff: 2 Page Ref: 24

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

87) The ethical norm of _____ considers if the decision is consistent with people's responsibilities to one another.

- A) utility
- B) rights
- C) justice
- D) caring

Answer: D

Diff: 2 Page Ref: 24

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

88) Through _____, companies formally acknowledge their intent to do business in an ethical manner.

- A) government regulations
- B) EEOC guidelines
- C) codes of ethics
- D) blue sky laws

Answer: C

Explanation: C) The number of companies that have adopted codes of ethics has risen dramatically in the last three decades, and today almost all major corporations have written codes of ethics.

Diff: 2 Page Ref: 25

Reference: Learning Objective 1 / Ethics in the Workplace

89) Organizational stakeholders can best be defined as _____.

- A) individuals and businesses that own stock in a company
- B) individuals and groups that are directly affected by the practices of an organization
- C) the officers and key employees of an organization
- D) competitors

Answer: B

Explanation: B) Further, stakeholders have a "stake" in the company's performance.

Diff: 2 Page Ref: 26

Reference: Learning Objective 2 / Social Responsibility

90) Which of the following groups is NOT considered an organizational stakeholder?

- A) employees
- B) investors
- C) customers
- D) competitors

Answer: D

Explanation: D) Relevant stakeholders include customers, employees, investors, suppliers, and the local communities.

Diff: 2 Page Ref: 26

Reference: Learning Objective 2 / Social Responsibility

91) _____ is using advertising to project a green image without adopting substantive environmentally friendly changes.

- A) Consumerism
- B) Environmentalism
- C) Quality control
- D) Greenwashing

Answer: D

Explanation: D) Social responsibility toward customers falls into two areas: price and quality.

Diff: 2 Page Ref: 28

Reference: Learning Objective 3 / Areas of Social Responsibility

92) Which of the following organizations regulates advertising and pricing practices?

- A) Food and Drug Administration (FDA)
- B) Federal Trade Commission (FTC)
- C) Federal Communication Commission (FCC)
- D) Securities and Exchange Commission (SEC)

Answer: B

Explanation: B) The government controls and regulates many business activities; irresponsible practices toward customers can result in government-imposed penalties and expensive civil litigation.

Diff: 2 Page Ref: 29

Reference: Learning Objective 3 / Areas of Social Responsibility

93) When two or more firms agree to collaborate on wrongful acts, it is referred to as _____.

- A) monopolizing
- B) consumerism
- C) collusion
- D) brokering

Answer: C

Explanation: C) A recent example of collusion occurred when the U.S. Justice Department charged three pharmaceutical firms with illegally controlling worldwide supplies and prices of vitamins.

Diff: 2 Page Ref: 29

Reference: Learning Objective 3 / Areas of Social Responsibility

94) Responding to increased demand with overly steep, and often unwarranted, price increases is called _____.

- A) price fixing
- B) price matching
- C) unit pricing
- D) price gouging

Answer: D

Explanation: D) For example, when residents of a coastal area are warned about a possible hurricane, they often flock to retailers to stock up on bottled water and batteries; unfortunately, some retailers take advantage of this pattern by marking up their prices.

Diff: 2 Page Ref: 29

Reference: Learning Objective 3 / Areas of Social Responsibility

95) An example of price gouging is _____.

- A) raising prices on bottled water when there is a threat of severe weather
- B) lowering prices on gasoline immediately after September 11, 2001
- C) having a lack of batteries on hand when severe weather is forecast
- D) lowering prices on gasoline after a hurricane damages an oil refinery

Answer: A

Diff: 2 Page Ref: 29

Reference: Learning Objective 3 / Areas of Social Responsibility

AACSB: Reflective thinking skills

96) Sharp increases in the price of gasoline following September 11, 2001, is an example of _____.

- A) price fixing
- B) price matching
- C) price gouging
- D) price segmentation

Answer: C

Explanation: C) Price gouging is the response to increased demand with overly steep, and often unwarranted, price increases.

Diff: 2 Page Ref: 29

Reference: Learning Objective 3 / Areas of Social Responsibility

AACSB: Reflective thinking skills

97) 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 fixing
- B) collusion
- C) price gouging
- D) price skimming

Answer: C

Explanation: C) Price gouging occurs when marketers increase prices as demand increases.

Diff: 2 Page Ref: 29

Reference: Learning Objective 3 / Areas of Social Responsibility

AACSB: Reflective thinking skills

98) Which of the following has NOT been identified as a basic consumer right?

- A) Consumers have a right to safe products.
- B) Consumers have a right to low prices.
- C) Consumers have a right to be informed about a product.
- D) Consumers have a right to choose what they buy.

Answer: B

Explanation: B) Additional consumer rights include (1) Customers have a right to be heard; and (2) Customers have a right to courteous service.

Diff: 2 Page Ref: 30

Reference: Learning Objective 3 / Areas of Social Responsibility

99) 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) legal
- B) social
- C) affirmative
- D) legal and social

Answer: D

Explanation: D) Socially responsible behaviors toward employees have both legal and social components.

Diff: 2 Page Ref: 30

Reference: Learning Objective 3 / Areas of Social Responsibility

100) 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 _____.

- A) buyer's remorse
- B) whistle-blower
- C) corporate lookout
- D) government inspector

Answer: B

Explanation: B) As whistle-blowers, employees generally contact the media or a particular regulatory agency.

Diff: 2 Page Ref: 31

Reference: Learning Objective 3 / Areas of Social Responsibility

101) As a rule, irresponsible behavior toward shareholders means abuse of a firm's _____.

- A) managers
- B) suppliers
- C) financial resources
- D) customers

Answer: C

Explanation: C) In such cases, the ultimate losers are the shareholder-owners who do not receive their due earnings or dividends.

Diff: 2 Page Ref: 31

Reference: Learning Objective 3 / Areas of Social Responsibility

102) Firms accused of paying excessive salaries to senior managers or providing frivolous "perks" may be engaging in _____.

- A) human resources violations
- B) collusion
- C) environmental pollution
- D) improper financial management

Answer: D

Explanation: D) Such financial mismanagement is often unethical but not necessarily illegal.

Diff: 2 Page Ref: 31

Reference: Learning Objective 3 / Areas of Social Responsibility

103) Martha Stewart and Samuel Waksal were accused of _____.

- A) improper financial management
- B) collusion
- C) segmenting the market
- D) insider trading

Answer: D

Explanation: D) Waksal and Stewart were at the heart of the ImClone investigations; both were accused of insider trading, which occurs when someone uses confidential information to gain from the purchase or sale of stocks.

Diff: 2 Page Ref: 32

Reference: Learning Objective 3 / Areas of Social Responsibility

104) The _____ was passed in 2002 in response to a number of highly publicized accounting scandals.

- A) Sarbanes-Oxley Act
- B) McCain-Feingold Act
- C) Securities and Exchange Act
- D) Accounting Standards Act

Answer: A

Diff: 2 Page Ref: 32

Reference: Learning Objective 3 / Areas of Social Responsibility

105) 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) accommodative
- B) obstructionist
- C) proactive
- D) defensive

Answer: B

Explanation: B) Those organizations taking an obstructionist stance usually do as little as possible to solve social or environmental problems.

Diff: 2 Page Ref: 33

Reference: Learning Objective 4 / Approaches to Social Responsibility

106) 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) obstructionist
- C) proactive
- D) defensive

Answer: D

Explanation: D) With a defensive stance, organizations will do what is legally required of them but nothing more.

Diff: 2 Page Ref: 33

Reference: Learning Objective 4 / Approaches to Social Responsibility

107) Firms adopting a(n) _____ stance to social responsibility do not necessarily or proactively seek avenues for contributing, but participate after solicitation.

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

Answer: A

Explanation: A) A firm that adopts an accommodative stance meets its legal and ethical requirements but will also go further in certain cases.

Diff: 2 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

108) The highest degree of social responsibility that a firm can exhibit is the _____ stance.

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

Answer: C

Explanation: C) Firms that are proactive take to heart the arguments in favor of social responsibility; these firms view themselves as citizens in a society and proactively seek opportunities to contribute.

Diff: 2 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

109) 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) Social responsibility must start at the top.
- B) A committee of top managers must develop a plan.
- C) The company must comply with all laws.
- D) One executive is put in charge of the firm's agenda.

Answer: C

Explanation: C) Initiative to start a social responsibility plan do not start with the government; these initiative begin with individual managers/employees within individual companies.

Diff: 2 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

110) A social audit is

- A) an examination of a company's financial records to determine their conformance with GAAP.
- B) a program to promote consumer activism.
- C) an analysis by the government of a company's compliance with employment laws.
- D) a systematic analysis of a firm's success in using funds earmarked for meeting its social responsibility goals.

Answer: D

Explanation: D) Ethics and social responsibility are decisions faced by all managers in all organizations, regardless of rank or size; one key to business success is to decide in advance how to respond to the issues surrounding both areas.

Diff: 2 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

111) 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

Diff: 3 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

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

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

Answer: D

Explanation: D) The ethical norm of utility addresses those affected by a decision and whether the decision optimizes what is best for those individuals.

Diff: 3 Page Ref: 24

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

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

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

Answer: B

Explanation: B) The ethical norm of rights addresses the rights of individuals involved with the decision and whether the decision respects those individuals' rights.

Diff: 3 Page Ref: 24

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

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

Answer: A

Explanation: A) The ethical norm of justice addresses whether a decision is consistent with what we regard as fair.

Diff: 3 Page Ref: 24

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

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

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

Answer: C

Explanation: C) Such a policy contributes to a corporate culture that values ethical standards and announces that the firm is as concerned with good citizenship as with profits.

Diff: 3 Page Ref: 25

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

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

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

Answer: A

Explanation: A) Both business schools and employers play a role in educating individuals about ethics; however, employers are now taking the chief responsibility for educating individuals about ethics.

Diff: 3 Page Ref: 25

Reference: Learning Objective 1 / Ethics in the Workplace

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

Answer: A

Explanation: A) Many people blamed the Depression on a climate of business greed and lack of restraint.

Diff: 3 Page Ref: 27

Reference: Learning Objective 2 / Social Responsibility

118) Which of the following firms has a policy against selling handguns and other weapons?

- A) Beretta
- B) Home Depot
- C) Procter & Gamble
- D) Target & Wal-Mart

Answer: D

Explanation: D) Wal-Mart and Target have policies against selling weapons; some retailers, such as KayBee, refuse to sell toy guns that look too realistic.

Diff: 3 Page Ref: 27

Reference: Learning Objective 2 / Social Responsibility

119) The first formal declaration of consumer rights protection came in the early _____.

- A) 1960s
- B) 1800s
- C) 1920s
- D) 1990s

Answer: A

Explanation: A) This declaration came when President Kennedy identified four basic consumer rights.

Diff: 3 Page Ref: 29

Reference: Learning Objective 3 / Areas of Social Responsibility

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 gouging
- B) price lining
- C) price fixing
- D) collusion

Answer: A

Explanation: A) When firms respond to increased demand with overly steep prices, they are engaging in price gouging.

Diff: 3 Page Ref: 29

Reference: Learning Objective 3 / Areas of Social Responsibility

121) Enron employee Sherron Watkins was a(n) _____, reporting concerns about the company's accounting practices.

- A) whistle-blower
- B) informant
- C) auditor
- D) ombudsman

Answer: A

Explanation: A) A whistle-blower is an employee who reports wrongdoing to the media or to an outside regulatory agency.

Diff: 3 Page Ref: 31

Reference: Learning Objective 3 / Areas of Social Responsibility

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 Clayton Act of 1914
- D) The Webb-Pomerene Act of 1918

Answer: A

Explanation: A) This act was originally designed to prevent contractors from selling defective supplies to the Union Army during the Civil War.

Diff: 3 Page Ref: 31

Reference: Learning Objective 3 / Areas of Social Responsibility

123) Whistle-blowers can receive _____ of the monetary restitution collected by the government.

- A) 50 percent to 60 percent
- B) 10 percent to 20 percent
- C) 25 percent to 30 percent
- D) 5 percent to 10 percent

Answer: C

Explanation: C) If the Justice Department does not intervene, a whistle-blower can proceed with a civil suit; in that case, the whistle-blower receives 25 to 30 percent of the money recovered.

Diff: 3 Page Ref: 31

Reference: Learning Objective 3 / Areas of Social Responsibility

124) In maintaining and reporting its financial status, every corporation must conform to _____.

- A) corporate rules
- B) the FDA
- C) GAAP
- D) AACSP

Answer: C

Explanation: C) GAAP represents generally accepted accounting principles.

Diff: 3 Page Ref: 32

Reference: Learning Objective 3 / Areas of Social Responsibility

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

Answer: B

Explanation: B) Firms who take this stance do as little as possible to be responsible.

Diff: 3 Page Ref: 33

Reference: Learning Objective 4 / Approaches to Social Responsibility

AACSB: Reflective thinking skills

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) accommodative
- C) defensive
- D) proactive

Answer: A

Explanation: A) Individuals taking an obstructionist stance typically deny or attempt to cover up their actions.

Diff: 3 Page Ref: 33

Reference: Learning Objective 4 / Approaches to Social Responsibility

AACSB: Reflective thinking skills

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

Answer: C

Explanation: C) Firms taking a defensive stance will do what is required legally but nothing more.

Diff: 3 Page Ref: 33

Reference: Learning Objective 4 / Approaches to Social Responsibility

AACSB: Reflective thinking skills

128) Which stance do tobacco companies usually take in their marketing efforts?

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

Answer: B

Explanation: B) Tobacco companies include warnings to smokers on their products in the United States, where such warnings are required; however, when marketing abroad, tobacco companies often use more aggressive marketing methods.

Diff: 3 Page Ref: 33

Reference: Learning Objective 4 / Approaches to Social Responsibility

AACSB: Reflective thinking skills

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

Answer: D

Explanation: D) A firm taking this stance will do what is legally required of it but nothing more.

Diff: 3 Page Ref: 33

Reference: Learning Objective 4 / Approaches to Social Responsibility

AACSB: Reflective thinking skills

130) Acme Inc. meets is 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) obstructionist
- B) accommodative
- C) defensive
- D) proactive

Answer: B

Explanation: B) Firms that adopt an accommodative stance meet legal and ethical requirements but also go further in certain cases.

Diff: 3 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

AACSB: Reflective thinking skills

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.

Diff: 1 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Dynamics of the global economy

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.

Diff: 1 Page Ref: 22-23

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Dynamics of the global economy

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.

Diff: 1 Page Ref: 25

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Dynamics of the global economy

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.

Diff: 1 Page Ref: 26

Reference: Learning Objective 2 / Social Responsibility

135) What groups typically comprise organizational stakeholders?

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

Diff: 1 Page Ref: 26

Reference: Learning Objective 2 / Social Responsibility

136) Define *consumerism*.

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

Diff: 1 Page Ref: 29

Reference: Learning Objective 3 / Areas of Social Responsibility

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.

Diff: 1 Page Ref: 29

Reference: Learning Objective 3 / Areas of Social Responsibility

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.

Diff: 1 Page Ref: 31

Reference: Learning Objective 3 / Areas of Social Responsibility

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.

Diff: 2 Page Ref: 22

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

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 upper-management support. Companies can formalize this commitment through written codes of ethics and ethics training programs.

Diff: 2 Page Ref: 25

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

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.

Diff: 2 Page Ref: 26

Reference: Learning Objective 2 / Social Responsibility

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.

Diff: 2 Page Ref: 26

Reference: Learning Objective 2 / Social Responsibility

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.

Diff: 2 Page Ref: 30

Reference: Learning Objective 3 / Areas of Social Responsibility

AACSB: Ethical understanding and reasoning abilities

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.

Diff: 2 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

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.

Diff: 2 Page Ref: 34

Reference: Learning Objective 5 / Social Responsibility and the Small Business

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.

Diff: 3 Page Ref: 24

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

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.

Diff: 3 Page Ref: 24

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

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.

Diff: 3 Page Ref: 25

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

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.

Diff: 3 Page Ref: 26

Reference: Learning Objective 2 / Social Responsibility

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.

Diff: 3 Page Ref: 29-30

Reference: Learning Objective 3 / Areas of Social Responsibility

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.

Diff: 3 Page Ref: 32

Reference: Learning Objective 3 / Areas of Social Responsibility

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.

Diff: 3 Page Ref: 32

Reference: Learning Objective 4 / Approaches to Social Responsibility

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.

Diff: 3 Page Ref: 33-34

Reference: Learning Objective 4 / Approaches to Social Responsibility

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.

Diff: 3 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

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.

Diff: 2 Page Ref: 26

Reference: Learning Objective 2 / Social Responsibility

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.

Diff: 2 Page Ref: 28

Reference: Learning Objective 3 / Areas of Social Responsibility

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.

Diff: 2 Page Ref: 29-30

Reference: Learning Objective 3 / Areas of Social Responsibility

158) 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.

Diff: 3 Page Ref: 33-34

Reference: Learning Objective 4 / Approaches to Social Responsibility

159) 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.

Diff: 2 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

160) How has the downturn in the economy affected organizations such as the American Red Cross, the Salvation Army, and the United Way?

Answer: As a result of the downturn in the economy, charitable giving has decreased while the demand for services from these organizations has increased.

Diff: 2 Page Ref: 23

Reference: Learning Objective 2 / Social Responsibility

161) How does the Salvation Army raise money and what services does it provide?

Answer: The Salvation Army raises money through a variety of techniques including ringing holiday bells outside of retailers and collecting spare change in red kettles. They use the funds that they raise to help people who have lost their jobs or who are unable to feed their families.

Diff: 2 Page Ref: 23

Reference: Learning Objective 2 / Social Responsibility

162) What role has email played in recent corporate scandals?

Answer: In virtually every recent corporate scandal, email has surfaced as key evidence of wrongdoing.

Diff: 2 Page Ref: 26

Reference: Learning Objective 2 / Social Responsibility

163) How does software created by Omniva protect email communication?

Answer: Omniva has created software that encrypts messages. In addition, the software sets an expiration date and prevents resending or printing.

Diff: 2 Page Ref: 26

Reference: Learning Objective 2 / Social Responsibility

164) How could Omniva's software promote social responsibility?

Answer: Omniva's software allows administrators to prevent employees from deleting potentially incriminating email messages.

Diff: 2 Page Ref: 26

Reference: Learning Objective 2 / Social Responsibility

AACSB: Analytic skills

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.

Diff: 1 Page Ref: 22-23

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

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.

Diff: 1 Page Ref: 25

Reference: Learning Objective 1 / Ethics in the Workplace

AACSB: Ethical understanding and reasoning abilities

167) 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.

Diff: 2 Page Ref: 24

Reference: Learning Objective 1 / Ethics in the Workplace

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.

Diff: 1 Page Ref: 25

Reference: Learning Objective 2 / Social Responsibility

169) 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.

Diff: 2 Page Ref: 26

Reference: Learning Objective 2 / Social Responsibility

AACSB: Reflective thinking skills

170) 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.

Diff: 2 Page Ref: 28

Reference: Learning Objective 3 / Areas of Social Responsibility

171) 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.

Diff: 3 Page Ref: 28

Reference: Learning Objective 3 / Areas of Social Responsibility

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.

Diff: 2 Page Ref: 29

Reference: Learning Objective 3 / Areas of Social Responsibility

173) 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.

Diff: 1 Page Ref: 31-32

Reference: Learning Objective 3 / Areas of Social Responsibility

174) 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.

Diff: 3 Page Ref: 33

Reference: Learning Objective 4 / Approaches to Social Responsibility

AACSB: Reflective thinking skills

175) If MKD adopts a defensive stance, how will the company respond to this situation?

Answer: MKD will file the necessary reports and perform any cleanup that is legally required. However, they will not exceed the actions required by law.

Diff: 3 Page Ref: 33

Reference: Learning Objective 4 / Approaches to Social Responsibility

AACSB: Reflective thinking skills

176) 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.

Diff: 3 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

AACSB: Reflective thinking skills

177) 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.

Diff: 3 Page Ref: 34

Reference: Learning Objective 4 / Approaches to Social Responsibility

AACSB: Reflective thinking skills