Human Resource Management 14th edition Mondy Test Bank

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Human Resource Management, 14e **(Mondy)**
Chapter 2 Business Ethics and Corporate Social Responsibility

1) Which term refers to the discipline that deals with what is good and bad or right and wrong?
A) morals and traditions
B) social responsibility
C) cultural norms
D) ethics
Answer: D
Explanation: D) Ethics is the discipline dealing with what is good and bad, or right and wrong, or with moral duty and obligation.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 1

2) Ethics, corporate social responsibility, and corporate sustainability are everyone's business, including HR professionals.
Answer: TRUE
Explanation: Ethics, CSR, and corporate sustainability are everyone's business. Human resources (HR) professionals particularly concern themselves with establishing policies to promote ethical behavior and unethical behavior. In addition, the human resource management (HRM) function's leadership works with other executive leadership to identify training opportunities for educating employees about how they may make positive contributions to these objectives and developing performance-based pay programs that align employee performance with CSR and social responsibility goals.-
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 1

3) Citizenship is the discipline dealing with what is good and bad, or right and wrong, or with moral duty and obligation.
Answer: FALSE
Explanation: Ethics is the discipline dealing with what is good and bad, or right and wrong, or with moral duty and obligation.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 1

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4) What is the difference between ethics and corporate social responsibility as each concept applies to corporations?
Answer: Ethics is the discipline dealing with what is good and bad, or right and wrong, or with moral duty and obligation. Ethics is about deciding whether an action is good or bad and what to do about it if it is bad. Those in management make ethical (or unethical) decisions every day regarding hiring, safety, and compensation. Corporate social responsibility (CSR) is the implied, enforced, or felt obligation of managers, acting in their official capacity, to serve or protect the interests of groups other than themselves. When a corporation behaves as if it has a conscience, it is said to be socially responsible. CSR considers the overall influence of corporations on society at large and goes beyond the interests of shareholders. It is how a company as a whole behaves toward society.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 1

5) Which of the following firms has NOT been exposed for ethical abuses and corrupt conduct?
A) Enron
B) Lehman Brothers
C) WorldCom
D) General Electric (GE)
Answer: D
Explanation: D) Enron, Lehman Brothers, and WorldCom have been involved with ethical and illegal problems. General Electric (GE) has a history of honesty and transparency.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 2

6) In a recent survey, what percent of investors said they would move their account if they discovered the company was involved in unethical behavior?
A) 17%
B) 37%
C) 67%
D) 97%
Answer: C
Explanation: C) CEOs have to be clear that unethical behavior is not acceptable. In one survey, 67 percent of investors said they would move their account if they discovered the company was involved in unethical behavior.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 2

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7) The CEO of GE begins and ends each annual meeting by _____.
A) introducing the firm's senior officials
B) reviewing the firm's financial details
C) stating the firm's integrity principles
D) asking stockholders for their opinions
Answer: C
Explanation: C) Jeff Immelt, GE's CEO, begins and ends each annual meeting of 220 officers and of its 600 senior managers by restating the company's fundamental integrity principles: "GE's business success is built on our reputation with all stakeholders for lawful and ethical behavior. Commercial considerations never justify cutting corners. Upholding this standard is the specific responsibility of the leaders in the room."
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 2

8) What do most of the 500 largest corporations in the United States have?
A) social responsibility audits
B) environmental audits
C) codes of ethics
D) podcasts
Answer: C
Explanation: C) Most of the 500 largest corporations in the United States now have a code of ethics, which encompasses written conduct standards, internal education, and formal agreements on industry standards, ethics offices, social accounting, and social projects.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 2

9) With regards to ethics, most of the 500 largest corporations in the U.S. now have a code of ethics. Which of the following would LEAST likely be included in the codes?
A) ethics offices
B) social accounting
C) conduct standards
D) performance appraisals
Answer: D
Explanation: D) Most of the 500 largest corporations in the United States now have a code of ethics, which encompasses written conduct standards, internal education, and formal agreements on industry standards, ethics offices, social accounting, and social projects.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 2

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10) The minimum standards of ethical behavior in a firm are based on _____, while higher standards are established by _____.
A) corporate policies; human resources
B) co-workers; mission statements
C) organizational culture; laws
D) laws; corporate leadership
Answer: D
Explanation: D) Compliance with the law sets the minimum standard of ethical behavior; ethics is much more, however. There must be leaders who are able and willing to instill ethics throughout the culture of the organization because laws are only the beginning of the solution.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 2

11) Surveys indicate that 25% of investors would move their account if they discovered the company was involved in unethical behavior.
Answer: FALSE
Explanation: In one survey, 67 percent of investors said they would move their account if they discovered the company was involved in unethical behavior.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 2

12) Most of the 500 largest corporations in the U.S. now have a code of ethics.
Answer: TRUE
Explanation: Most of the 500 largest corporations in the United States now have a code of ethics, which encompasses written conduct standards, internal education, and formal agreements on industry standards, ethics offices, social accounting, and social projects.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 2

13) Unethical practices are limited to Wall Street because of the money and pressure involved.
Answer: FALSE
Explanation: Business ethics scandals continue to be headline news today. Lying on résumés, obstruction of justice, destruction of records, stock price manipulation, and cutting corners to meet Wall Street's expectation. However, business is not alone. There is virtually no occupation that has not had its own painful ethical crises in recent years.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 2

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14) Compliance with the law sets the minimum standard for ethical behavior in business.
Answer: TRUE
Explanation: Compliance with the law sets the minimum standard for ethical behavior; ethics, however, is much more. There must be leaders who are able and willing to instill ethics throughout the culture of the organization.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 2

15) A major source of ethical guidance is the behavior and advice of people that psychologists call _____.
A) internal monitors
B) third-party respondents
C) disinterested parties
D) significant others
Answer: D
Explanation: D) Another source of ethical guidance is the behavior and advice of the people psychologists call "significant others"-our parents, friends, role models, and members of our churches, clubs, and associations.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 3

16) According to your textbook, sources of ethical guidance should _____.
A) lead to your beliefs or a conviction about what is right or wrong
B) have little effect on a person's pursuit of what is expedient
C) be nothing more than the subject matter of philosophical discussions
D) remain abstractions that don't pertain to day-to-day living in today's world
Answer: A
Explanation: A) The sources of ethical guidance should lead to your beliefs or a conviction about what is right or wrong.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 3

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17) Laws _____ ethical behavior.
A) mandate
B) offer guidance to
C) have nothing to do with
D) None of the above
Answer: B
Explanation: B) Laws offer guidance to ethical behavior, prohibiting acts that can be especially harmful to others.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 3

18) Which of the following would LEAST likely be a source of ethical guidance?
A) holy books
B) laws
C) friends
D) tests
Answer: D
Explanation: D) One might use a number of sources to determine what is right or wrong, good or bad, moral or immoral. These sources include the Bible and other holy books. Another source of ethical guidance is the behavior and advice of our parents, friends, and role models. Laws also offer guidance to ethical behavior, prohibiting acts that can be especially harmful to others.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 3

19) As a professional, what should be your primary source of ethical guidance in the workplace?
A) corporate HR policies
B) corporate code of ethics
C) corporate mission statement
D) corporate procedures
Answer: A
Explanation: A) For most professionals, there are written codes of ethics that prescribe certain behavior. Without this written code of ethical conscience, it might be easy to say, "Everyone does it," "Just this once won't hurt," or "No one will ever know."
Difficulty: Moderate
Skill: Application of knowledge
AACSB: Ethical understanding and reasoning
Learning Obj.: 3

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20) Sources of ethical guidance exclude laws because laws are mandated by the government and not personal beliefs and values.
Answer: FALSE
Explanation: Laws also offer guidance to ethical behavior, prohibiting acts that can be especially harmful to others. They codify what society has deemed to be unacceptable. If a certain behavior is illegal, most would consider it to be unethical as well. There are exceptions, of course. For example, through the 1950s, laws in most southern states relegated blacks to the backs of buses and otherwise assigned them inferior status. Martin Luther King Jr. resisted such laws and, in fact, engaged in civil disobedience and other nonviolent forms of resistance to their enforcement. King won the Nobel Peace Prize for his efforts.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 3

21) According to the model of ethics, advice from friends, holy books, and laws serve as sources of ethical guidance.
Answer: TRUE
Explanation: People use a number of sources to determine what is right or wrong, good or bad, moral or immoral. These sources include the Bible and other holy books, the inner conscience, friends, family members, and laws.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 3

22) According to psychologists, the behavior and advice of "significant others" is a source of ethical guidance.
Answer: TRUE
Explanation: A major source of ethical guidance is the behavior and advice of the people psychologists call "significant others"-our parents, friends, and role models and members of our churches, clubs, and associations.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 3

23) Laws offer guidance to ethical behavior, prohibiting acts that can be especially harmful to others.
Answer: TRUE
Explanation: Laws also offer guidance to ethical behavior, prohibiting acts that can be especially harmful to others. They codify what society has deemed to be unacceptable. If a certain behavior is illegal, most would consider it to be unethical as well.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 3

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24) In the legal use of the term, a whistleblower is someone who _____.
A) serves as a part-time referee in sporting events
B) has an ethical obligation to shield his or her employer from lawsuits
C) participates in an activity that is protected by federal law
D) serves as a majordomo at political dinners
Answer: C
Explanation: C) In the legal use of the term, a whistleblower is someone who is protected by the following federal laws: the False Claims Act, the Internal Revenue Service's Informant Claims Program, The Dodd-Frank Wall Street Reform and Consumer Protection Act, and the Sarbanes-Oxley Act of 2002.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

25) When comparing the effectiveness of whistleblowers and external auditors in uncovering corporate wrongdoings, _____ in public companies.
A) whistleblower tips discovered 54.1 percent of uncovered fraud schemes
B) external auditors discovered 54.1 percent of uncovered fraud schemes
C) whistleblower tips discovered 4.1 percent of uncovered fraud schemes
D) whistleblower tips are no more effective than external auditors at discovering fraud schemes
Answer: A
Explanation: A) Many believe that information provided by whistleblowers is much more effective in uncovering wrongdoings than are external auditors. In testimony to the Senate Banking Committee, Certified Fraud Examiner Harry Markopolos stated, "Whistleblower tips detected 54.1 percent of uncovered fraud schemes in public companies. External auditors detected a mere 4.1 percent of fraud schemes."
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

26) Whistleblower protection has been around since _____.
A) the passage of the Sarbanes-Oxley Act of 2002
B) the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
C) the Federal False Claims Act of 1863
D) the Whistleblowers Anonymity Act of 2005
Answer: C
Explanation: C) The use of whistleblowers has been around since 1863 when President Lincoln signed into law the Federal False Claims Act, which was designed to protect the United States from purchases of fake gunpowder during the Civil War.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

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27) Companies are concerned about the whistleblower part of the Dodd-Frank Act for all of the following reasons except that informants might _____.
A) skip internal channels and go straight to government authorities
B) use the whistleblower provision to settle other grievances with their companies
C) overload internal compliance channels and thus hinder internal compliance efforts
D) All of the above
Answer: C
Explanation: C) Companies have some uneasiness regarding the whistleblower provision of the Dodd-Frank Act. The major concern is that the rules run counter to a firm's internal compliance efforts. Companies are afraid that employees will not go through internal channels first and instead go directly to government authorities. Another fear is that an employee might have another grievance with the company and use the whistleblower provision to get back at the company.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

28) All of the following EXCEPT _____ are major components of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
A) protecting investors
B) promoting too-big-to-fail bailouts
C) maintaining an advance warning system
D) enforcing regulations that are already on the books
Answer: B
Explanation: B) The Dodd-Frank Wall Street Reform and Consumer Protection Act ends the possibility that taxpayers will be asked to bail out financial firms that threaten the economy.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

29) The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law in _____.
A) 1863
B) 1933
C) 2001
D) 2010
Answer: D
Explanation: D) The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law in 2010. The act was brought on by the worst financial crisis since the Great Depression.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

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30) Which of the following laws was NOT enacted for the purpose of legislating business ethics?
A) Federal Sentencing Guidelines for Organizations Act
B) Procurement Integrity Act
C) Sarbanes-Oxley Act
D) Taft-Hartley Act
Answer: D
Explanation: D) The Taft-Hartley Act was enacted to monitor the power and activities of unions. The other three laws were three attempts made by the government to legislate business ethics.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

31) What law prohibits the release of source selection and proposal information?
A) Federal Sentencing Guidelines for Organizations
B) Procurement Integrity Act
C) Sarbanes-Oxley Act
D) Federal Contract Protection Act
Answer: B
Explanation: B) The Procurement Integrity Act of 1988 prohibits the release of source selection and contractor bid or proposal information. Also, a former employee who served in certain positions on a procurement action or contract in excess of $10 million is barred from receiving compensation as an employee or consultant from that contractor for one year.
Difficulty: Moderate
Skill: Concept
AACSB: Analytical thinking
Learning Obj.: 4

32) Which law prohibits a former employee who served in certain positions on a contract in excess of $10 million from receiving compensation as an employee or consultant from that contractor for one year?
A) Federal Sentencing Guidelines for Organizations
B) Procurement Integrity Act
C) Sarbanes-Oxley Act
D) Federal Contract Protection Act
Answer: B
Explanation: B) The Procurement Integrity Act of 1988 prohibits the release of source selection and contractor bid or proposal information. Also, a former employee who served in certain positions on a procurement action or contract in excess of $10 million is barred from receiving compensation as an employee or consultant from that contractor for one year.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

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33) What law was passed in response to reports of military contracts for $500 toilet seats?
A) Federal Sentencing Guidelines for Organizations
B) Sarbanes-Oxley Act
C) Federal Contract Protection Act
D) Procurement Integrity Act
Answer: D
Explanation: D) The Procurement Integrity Act of 1988 prohibits the release of source selection and contractor bid or proposal information. The Act was passed after there were reports of military contracts for $500 toilet seats.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

34) What federal law offers easier punishments for wayward corporations that have ethics programs in place?
A) Federal Sentencing Guidelines for Organizations
B) Procurement Integrity Act
C) Sarbanes-Oxley Act
D) Federal Contract Protection Act
Answer: A
Explanation: A) The 1992 Federal Sentencing Guidelines for Organizations Act (FSGO) outlined an effective ethics training program and explained the seven minimum requirements for an effective program to prevent and detect violations. The FSGO promised softer punishments for wayward corporations that already had ethics programs in place.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

35) What federal law outlined an effective ethics training program and explained the seven minimum requirements for an effective program to prevent and detect violations?
A) Federal Sentencing Guidelines for Organizations
B) Procurement Integrity Act
C) Sarbanes-Oxley Act
D) Federal Contract Protection Act
Answer: A
Explanation: A) The 1992 Federal Sentencing Guidelines for Organizations Act (FSGO) outlined an effective ethics training program and explained the seven minimum requirements for an effective program to prevent and detect violations. The FSGO promised softer punishments for wayward corporations that already had ethics programs in place.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

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36) Which of the following was NOT included in the FSGO?
A) guidelines for ethics standards
B) job security for whistleblowers
C) guidelines for providing ethics training
D) system for anonymously reporting misconduct
Answer: B
Explanation: B) The FSGO promised softer punishments for wayward corporations that already had ethics programs in place. In the law were recommendations regarding standards, ethics training, and a system to report misconduct anonymously. The Sarbanes-Oxley Act provided protections for whistleblowers.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

37) According to the FSGO, _____ were supposed to be responsible for the prevention of white collar crimes in an organization.
A) attorneys
B) top executives
C) common stockholders
D) organizational stakeholders
Answer: B
Explanation: B) According to the FSGO, executives were supposed to be responsible for the misconduct of those lower in the organization. If executives were proactive in their efforts to prevent white collar crime it would lessen a judgment against them and reduce the liability.
Difficulty: Moderate
Skill: Concept
AACSB: Analytical thinking
Learning Obj.: 4

38) Which law most likely prompted organizations to create codes of ethics and install ethics hotlines?
A) Corporate and Auditing Accountability, Responsibility, and Transparency Act
B) Federal Sentencing Guidelines for Organizations Act
C) Procurement Integrity Act
D) McCarran-Ferguson Act
Answer: B
Explanation: B) The McCarran-Ferguson Act relates insurance regulation rather than business ethics. The FSGO led organizations to create ethics officer positions, install ethics hotlines, and develop codes of ethics in hopes of lessening ethics judgments against the firm and reducing the firm's liability.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

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39) Which law criminalizes many corporate acts that were previously relegated to various regulatory structures?
A) Federal Sentencing Guidelines for Organizations
B) Procurement Integrity Act
C) Sarbanes-Oxley Act
D) Federal Contract Protection Act
Answer: C
Explanation: C) The Corporate and Auditing Accountability, Responsibility, and Transparency Act of 2002 criminalized many corporate acts that were previously relegated to various regulatory structures. Known as the Sarbanes-Oxley Act, its primary focus is to redress accounting and financial reporting abuses in light of corporate scandals.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

40) Which law was passed to redress accounting and financial reporting abuses in light of corporate scandals?
A) Federal Sentencing Guidelines for Organizations
B) Procurement Integrity Act
C) Sarbanes-Oxley Act
D) Federal Contract Protection Act
Answer: C
Explanation: C) The Corporate and Auditing Accountability, Responsibility, and Transparency Act of 2002 criminalized many corporate acts that were previously relegated to various regulatory structures. Known as the Sarbanes-Oxley Act, its primary focus is to redress accounting and financial reporting abuses in light of corporate scandals.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

41) Which law contains broad employee whistle-blower protections against firms and managers that retaliate or harass employees who report suspected corporate wrongdoing?
A) Sarbanes-Oxley Act
B) Procurement Integrity Act
C) Federal Sentencing Guidelines for Organizations
D) Federal Contract Protection Act
Answer: A
Explanation: A) The Sarbanes-Oxley Act contains broad employee whistle-blower protections that subject corporations and their managerial personnel to significant civil and criminal penalties for retaliating, harassing, or discriminating against employees who report suspected corporate wrongdoing.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

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42) Erica, an accountant, notices suspicious accounting practices at the firm where she is employed. She wants to report the unethical behavior to authorities but is worried that she might be harassed or demoted as a result. Which law was passed to protect Erica in this situation?
A) Federal Contract Protection Act
B) Procurement Integrity Act
C) Taft-Hartley Act
D) Sarbanes-Oxley Act
Answer: D
Explanation: D) The Sarbanes-Oxley Act contains broad employee whistle-blower protections that subject corporations and their managerial personnel to significant civil and criminal penalties for retaliating, harassing, or discriminating against employees who report suspected corporate wrongdoing.
Difficulty: Moderate
Skill: Application of knowledge
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

43) John provides information to the SEC about conduct by his employer that he believes constitutes securities fraud. Which law most likely protects John from being demoted for his actions?
A) Federal Contract Protection Act
B) Procurement Integrity Act
C) Sarbanes-Oxley Act
D) Taft-Hartley Act
Answer: C
Explanation: C) The Sarbanes-Oxley Act states that management may not discharge, demote, suspend, threaten, harass, or in any other manner discriminate against an employee protected by the Act. It protects any employee who lawfully provides information to governmental authorities concerning conduct he or she reasonably believes constitutes mail, wire, or securities fraud; violations of any rule or regulation issued by the SEC; or violations of any other federal law relating to fraud against shareholders.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

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44) Which 2003 Supreme Court case upheld Sarbanes-Oxley's whistleblower-protection rule?
A) *Dothard v Rawlingson*
B) *Bechtel v Competitive Technologies Inc.*
C) *O'Connor v Consolidated Coin Caterers Corp.*
D) *Grutter v Bollinger*
Answer: B
Explanation: B) In the 2003 *Bechtel v Competitive Technologies Inc.* Supreme Court case involving wrongful termination under Sarbanes-Oxley's whistle-blower-protection rule, the Court ruled that the company violated the Act by firing two employees and ordered them reinstated. They were fired because during a meeting they had raised concerns about the company's decision not to report, on its SEC filing, an act they thought should have been disclosed.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

45) The Supreme Court ruling in *Bechtel v Competitive Technologies Inc.* upheld which federal law?
A) McCarran-Ferguson Act
B) Sarbanes-Oxley Act
C) Davis-Bacon Act
D) Taft-Hartley Act
Answer: B
Explanation: B) In the 2003 *Bechtel v Competitive Technologies Inc.* Supreme Court case involving wrongful termination under Sarbanes-Oxley's whistle-blower-protection rule, the Court ruled that the company violated the Act by firing two employees and ordered them reinstated. They were fired because during a meeting they had raised concerns about the company's decision not to report, on its SEC filing, an act they thought should have been disclosed.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

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46) According to the Sarbanes-Oxley Act, any SEC reporting bank that does not have a code of ethics must _____.
A) submit a report to Congress
B) provide an explanation
C) pay a significant fine
D) develop an ethics code
Answer: B
Explanation: B) Sarbanes-Oxley requires publicly traded companies to disclose whether or not they have adopted a code of ethics for senior officers. The Act does not require SEC reporting banks and bank-holding companies to have a code of ethics, but if an SEC reporting company does not have one, it must explain why.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

47) Which of the following is NOT required by the Sarbanes-Oxley Act?
A) Publicly traded firms must disclose whether they have a code of ethics for top executives.
B) Publicly traded firms must not discharge employees who report ethical abuses.
C) Bank-holding companies and SEC reporting banks must have codes of ethics.
D) Corporations must not provide financial loans to executives or directors.
Answer: C
Explanation: C) The Sarbanes-Oxley Act does not require SEC reporting banks and bank-holding companies to have a code of ethics. It requires publicly traded companies to disclose whether or not they have adopted a code of ethics for senior officers. The Act states that management may not discharge, demote, suspend, threaten, harass, or in any other manner discriminate against an employee protected by the Act. The law prohibits loans to executives and directors.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

48) The primary purpose of an ethics audit is to _____.
A) ensure that EEO policies are being implemented
B) supplement a company's code of ethics
C) evaluate a company's ethical culture
D) interview ethics training candidates
Answer: C
Explanation: C) An ethics audit is simply a systematic, independent, and documented process for obtaining evidence regarding the status of an organization's ethical culture. It is taking a closer look at a firm's ethical culture instead of just allowing it to remain unexamined.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

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49) Harvey Electronics has used a number of methods to create an ethical culture that both employees and customers appreciate. What is the most effective way for the firm to sustain its ethical culture?
A) asking job candidates ethical questions
B) implementing an ethics audit regularly
C) publishing the firm's code of ethics periodically
D) ensuring that new employees receive ethics training
Answer: B
Explanation: B) One way to create and sustain an ethical culture is to audit your ethics, much as you might audit your finances each year. An ethics audit is simply a systematic, independent, and documented process for obtaining evidence regarding the status of an organization's ethical culture. It is taking a closer look at a firm's ethical culture instead of just allowing it to remain unexamined.
Difficulty: Challenging
Skill: Application of knowledge
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

50) According to the Malcolm Baldrige National Quality Award, senior leaders should _____.
A) serve as figureheads
B) serve as role models
C) delegate responsibility for ethical behavior to middle managers
D) operate outside of ethical constraints that apply to rank and file employees
Answer: B
Explanation: B) According to criteria for the Malcolm Baldrige National Quality Award, senior leaders should serve as role models for the rest of their organizations. Baldrige applicants are asked questions about how senior leaders create an environment that fosters legal and ethical behavior. They need to show how the leaders address governance matters such as fiscal accountability and independence in audits.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

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51) A recent survey of 358 compliance and ethical professionals revealed that _____.
A) nearly seventy-five percent of companies include ethical compliance as a basis of compensation
B) twenty-seven percent of companies penalize employees for practicing ethical behavior
C) about one company in six ties employee bonuses and incentives to ethical performance
D) None of the above
Answer: C
Explanation: C) A survey of 358 compliance and ethics professionals by the Society of Corporate Compliance and Ethics (SCCE) and Health Care Compliance Association found that only a few companies have made ethics and compliance a process for determining how employees are compensated, and only about one company in six ties employee bonuses and incentives to ethical performance.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

52) The garment factory building collapse in Bangladesh in 2013 in which 1,127 people lost their lives, is simply an example of poor engineering.
Answer: FALSE
Explanation: Although some companies continue to say that they are fully committed to CSR, their less-than-socially-responsible behavior does not support their stated commitment. The garment factory building collapse in Bangladesh in 2013 stands among history's worst industrial disasters, officially claiming 1,127 lives.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

53) The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law in 2010.
Answer: TRUE
Explanation: The Dodd-Frank Wall Street Reform and Consumer Protection Act was enacted in 2010, in response to the greatest financial crisis since the Great Depression.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

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54) The Procurement Integrity Act of 1988 was passed after reports of military contracts for $500 toilet seats and $5,000 hammers.
Answer: TRUE
Explanation: The Procurement Integrity Act of 1988, prohibits the release of source selection and contractor bid or proposal information. The Act was passed after there were reports of military contracts for $500 toilet seats and $5,000 hammers.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

55) According to the Procurement Integrity Act, if a firm that has an ethics program in place is found guilty of misconduct, the firm will receive a reduced punishment.
Answer: FALSE
Explanation: The Federal Sentencing Guidelines for Organizations Act promised softer punishments for wayward corporations that already had ethics programs in place. The Procurement Integrity Act of 1988, prohibits the release of source selection and contractor bid or proposal information.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

56) Although laws cannot mandate ethics, they may be able to identify the baseline separating what is good and what is bad.
Answer: TRUE
Explanation: Many experts contend that ethics cannot be legislated. Although laws cannot mandate ethics, they may be able to identify the baseline separating what is good and what is bad.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

57) The Corporate and Auditing Accountability, Responsibility and Transparency Act is also known as the Sarbanes-Oxley Act.
Answer: TRUE
Explanation: The Corporate and Auditing Accountability, Responsibility, and Transparency Act of 2002 was passed to legislate business ethics. The act, also known as the Sarbanes-Oxley Act, criminalized many corporate acts that were previously relegated to various regulatory structures.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

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58) The Federal Sentencing Guidelines for Organizations Act contains broad employee whistle-blower protections that subject corporations to penalties for retaliating against employees who report suspected corporate wrongdoing.
Answer: FALSE
Explanation: The Sarbanes-Oxley Act contains broad employee whistle-blower protections that subject corporations and their managerial personnel to significant civil and criminal penalties for retaliating, harassing, or discriminating against employees who report suspected corporate wrongdoing.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

59) The Sarbanes-Oxley Act was passed in response to reports of out-of-control military spending.
Answer: FALSE
Explanation: The Sarbanes-Oxley Act was passed to redress accounting and financial reporting abuses in light of corporate scandals rather than military spending.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

60) In the 2003 case *Bechtel* v *Competitive Technologies Inc.,* the Supreme Court overturned Sarbanes-Oxley's whistleblower-protection rule.
Answer: FALSE
Explanation: *Bechtel v Competitive Technologies Inc.* involved wrongful termination under Sarbanes-Oxley's whistleblower protection rule. The Court ruled that the company violated the Act by firing two employees and ordered them reinstated, so the whistleblower protection rule was upheld.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

61) The Corporate and Auditing Accountability, Responsibility and Transparency Act requires SEC reporting banks and bank holding companies to have a code of ethics.
Answer: FALSE
Explanation: The Corporate and Auditing Accountability, Responsibility and Transparency Act does not require SEC reporting banks and bank holding companies to have a code of ethics, but if an SEC reporting company does not have one, it must explain why.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

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62) Identify and discuss the federal government's four attempts to legislate business ethics since the late 1980s.
Answer: The Procurement Integrity Act of 1988 prohibited the release of source selection and contractor bid or proposal information. In addition, a former employee who served in certain positions on a procurement action or contract in excess of $10 million cannot receive compensation as an employee or consultant from that contractor for one year. The second attempt occurred with the passage of the 1992 Federal Sentencing Guidelines for Organizations Act (FSGO), which outlined an effective ethics training program and explained the seven minimum requirements for an effective program to prevent and detect violations. The third attempt at legislating business ethics was the Corporate and Auditing Accountability, Responsibility, and Transparency Act of 2002 (Sarbanes-Oxley Act), which criminalized many corporate acts that were previously relegated to various regulatory structures. The primary focus of the Sarbanes-Oxley Act is to redress accounting and financial reporting abuses in light of corporate scandals. The fourth, the Dodd-Frank Wall Street Reform and Consumer Protection Act, was signed into law in 2010. The act was brought on by the worst financial crisis since the Great Depression, which resulted in the loss of 8 million jobs, failed businesses, a drop in housing prices, and wiped out personal savings of many workers. As the financial crisis advanced, it became clear that executive compensation played a major role in the financial services sector as well as in the capital markets following the collapse of investment services firms as Lehman Brothers, Merrill Lynch, Bear Stearns, and AIG.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 4

63) Contemporary organizations are redesigning their ethics programs to facilitate a broader, more consistent process that _____.
A) embraces chaos and forges new paradigms
B) incorporates the analysis of outcomes and continual improvement
C) uses outcome analysis to focus on short-term goals
D) relies on expediency and situational management
Answer: B
Explanation: B) Contemporary organizations are redesigning their ethics programs to facilitate a broader, more consistent process that incorporates the analysis of outcomes and continual improvement.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

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64) An ethical culture consists of all of the following factors EXCEPT _____.
A) ethical leadership
B) guerilla marketing
C) values
D) accountability
Answer: B
Explanation: B) An ethical culture is made up of factors such as ethical leadership, accountability, and values.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

65) Executives and managers at ABC Enterprises actively encourage a strong ethical culture at the firm. Which of the following would be the most likely result of the firm's actions?
A) increased employee interest in development programs
B) frequent use of human resource information systems
C) changes in corporate communication methods
D) improvements in organizational performance
Answer: D
Explanation: D) By fostering a strong ethical culture, firms are better able to gain the confidence and loyalty of their employees and other stakeholders, which can result in reduced financial, legal, and reputation risks, as well as improvements in organizational performance.
Difficulty: Challenging
Skill: Application of knowledge
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

66) Which term refers to a statement of the values adopted by the company, its employees and its directors?
A) code of ethics
B) ethical policies
C) vision statement
D) code of conduct
Answer: A
Explanation: A) The code of ethics is a statement of the values adopted by the company, its employees, and its directors, and sets the official tone of top management regarding expected behavior. A code of conduct tells employees what the rules of conduct are. The code of ethics helps employees know what to do when there is not a rule for something.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

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67) Julia works as a production supervisor, and she believes one of her subordinates is drinking during his lunch break. Julia's employer does not have a specific rule regarding the subordinate's behavior. Which of the following would most likely assist Julia with her problem in this situation?
A) corporate code of ethics
B) corporate vision statement
C) corporate code of conduct
D) federal legislation
Answer: A
Explanation: A) A distinction needs to be made between a code of conduct and a code of ethics; the former should tell employees what the rules of conduct are. The code of ethics helps employees know what to do when there is not a rule for something.
Difficulty: Moderate
Skill: Application of knowledge
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

68) Lincoln Enterprises recently fired two employees who were caught stealing tools from the firm's warehouse. As a result, the CEO of Lincoln wants to strengthen the firm's ethical culture and prevent future violations by redesigning the firm's ethics program. Which of the following questions is LEAST relevant when developing Lincoln's new ethics program?
A) What behavior is expected of Lincoln employees?
B) What is the opinion of stakeholders regarding Lincoln's ethics?
C) How are ethical situations communicated and resolved at Lincoln?
D) What is the process for Lincoln establishing a corporate giving program?
Answer: D
Explanation: D) Corporate giving programs are types of CSR programs and are less relevant to how the firm redesigns its ethics program. The firm should review the expected behavior of employees, the thoughts of stakeholders, and the current procedures for handling ethical problems.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

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69) Which of the following is NOT a major provision in the SHRM code of ethics?
A) professional responsibility
B) cultural understanding
C) professional development
D) fairness and justice
Answer: B
Explanation: B) Major provisions in the SHRM code of ethics include professional responsibility, professional development, ethical leadership, fairness and justice, conflicts of interest, and use of information. Cultural understanding is not a provision in the SHRM code of ethics.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

70) Vision Technologies wants to gain the confidence of employees and customers by developing a strong ethical culture. Which of the following methods would be the best way for the firm's HR department to accomplish this goal?
A) placing the code of ethics on the firm's intranet
B) posting the code of ethics in the breakroom
C) providing ethics training to employees
D) having employees sign ethics contracts
Answer: C
Explanation: C) To build and sustain an ethical culture, organizations need a comprehensive framework that encompasses communication of behavior expectations, training on ethics and compliance issues, stakeholder input, resolution of reported matters, and analysis of the entire ethics program. Posting a code of ethics online or in a breakroom is less likely to be effective. Having employees sign ethics contracts is helpful but less effective than providing training.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

71) A code of ethics establishes the _____ that the organization lives by.
A) policies
B) procedures
C) values
D) technologies
Answer: C
Explanation: C) The code of ethics is a statement of the values adopted by the company, its employees, and its directors, and sets the official tone of top management regarding expected behavior.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

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72) Riley Manufacturing recently developed a code of ethics. Which of the following topics is most likely covered in the document?
A) business conduct
B) fair competition
C) HR issues
D) all of the above
Answer: D
Explanation: D) Topics typically covered in a code of ethics might be business conduct, fair competition, and workplace and HR issues.
Difficulty: Moderate
Skill: Application of knowledge
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

73) According to Walmart's code of ethics, Edward, an employee in the sales department, cannot accept gifts from suppliers because such actions would be a _____.
A) conflict of interest
B) double standard
C) regulatory breach
D) discriminatory act
Answer: A
Explanation: A) Firms involving purchasing and sales typically establish in a code of ethics that accepting gifts from suppliers constitutes a conflict of interest. At Walmart, it is considered unethical to accept gifts from suppliers. Gifts are either destroyed or given to charity.
Difficulty: Moderate
Skill: Application of knowledge
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

74) In order to maintain the importance of a code of ethics to employees, large firms frequently _____.
A) write a code of conduct
B) send a memo to all employees
C) appoint an ethics officer
D) put the ethical code on the intranet
Answer: C
Explanation: C) To keep the code on the front burner for employees, larger firms appoint an ethics officer. The ethics officer is the point person in guiding everyone in the company toward ethical actions. This individual should be a person who understands the work environment.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

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75) At Tyson Foods, Lily serves as the point person who guides everyone in the firm towards ethical actions. Lily most likely serves as the firm's _____.
A) chief financial officer
B) HR manager
C) ethics officer
D) safety officer
Answer: C
Explanation: C) The ethics officer is the point person in guiding everyone in the company toward ethical actions. This individual should be a person who understands the work environment.
Difficulty: Moderate
Skill: Application of knowledge
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

76) Which law prohibits bribes of foreign government officials or business executives?
A) Federal and Foreign Bribery Act
B) Foreign Corrupt Practices Act
C) Corruption Practices Act
D) Sarbanes-Oxley Act
Answer: B
Explanation: B) U.S. companies must comply with the Foreign Corrupt Practices Act, which prohibits bribes of foreign government officials or business executives. Obviously, the law does not prevent foreign competitors from bribing government or business officials to get business, and such practices are common in many countries.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

77) Which quality is emphasized more than in the past for the Baldrige National Quality Award?
A) interpersonal skills
B) leadership ethics
C) personal motivation
D) community service
Answer: B
Explanation: B) Even the criteria for winning the Baldrige National Quality Award have changed, and an increased emphasis on ethics in leadership is now stressed. The criteria say senior leaders should serve as role models for the rest of their organizations. Baldrige applicants are asked questions about how senior leaders create an environment that fosters and requires legal and ethical behavior, and how the leaders address governance matters such as fiscal accountability and independence in audits.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

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78) According to research studies, unethical companies financially outperform ethical companies, although ethical companies are more successful with recruiting.
Answer: FALSE
Explanation: Dov Seidman, a management guru who advocates corporate virtue to many companies believes that companies that "outbehave" their competitors ethically will generally outperform them financially. Further, the ethical-or unethical-behavior of an organization is a critical factor for new college graduates seeking jobs, according to the National Association of Colleges and Employers.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

79) A code of ethics establishes the rules that organization lives by and becomes part of the organization's corporate culture.
Answer: TRUE
Explanation: The code of ethics is a statement of the values adopted by the company, its employees, and its directors, and sets the official tone of top management regarding expected behavior.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

80) How do firms benefit from a strong ethical culture? How can HR departments foster such cultures?
Answer: By fostering a strong ethical culture, firms are better able to gain the confidence and loyalty of their employees and other stakeholders, which can result in reduced financial, legal, and reputation risks, as well as improvements in organizational performance. HR professionals can help foster an ethical culture, but that means more than just hanging the ethics codes posters on walls. Instead, since the HR professionals' primary job is dealing with people, they must help to instill ethical practices into the corporate culture. Those values must be clearly communicated to all employees, early and often, beginning with the interviewing process, reinforced during employee orientation, and regularly recognized during performance reviews, public ceremonies, celebrations, and awards.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

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81) Why is a code of ethics important? What should be included in a firm's code of ethics?
Answer: A code of ethics helps foster a strong ethical culture. To build and sustain an ethical culture, organizations need a comprehensive framework that encompasses communication of behavior expectations, training on ethics and compliance issues, stakeholder input, resolution of reported matters, and analysis of the entire ethics program. The code of ethics helps employees know what to do when there is not a rule for something. The code of ethics is a statement of the values adopted by the company, its employees, and its directors, and sets the official tone of top management regarding expected behavior. The code of ethics should include expectations about business conduct, fair competition, and workplace and HR issues.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 5

82) Which one of the following statements about HR and ethics is FALSE?
A) It is sufficient for HR representatives to say that everyone should be ethical.
B) The ethical bearing of those in HR affects the credibility of the entire organization.
C) HR representatives should maintain a dialogue with workers about ethical behavior.
D) HR professionals can help foster an ethical culture.
Answer: A
Explanation: A) HR should review, develop, and enforce organizational policies to ensure a high level of ethics throughout the organization. It is insufficient to say that everyone should be ethical. Dialogue should be developed, so that workers know what is ethical and unethical in their specific area of operations.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 6

83) According to a recent report by the Society for Human Resource Management, _____.
A) integrity and ethical behavior are marginally important for HR executives
B) the operations department should be the repository for corporate ethics
C) it is the duty of HR professionals to help create an ethical climate in their organization
D) business ethics and corporate culture are independent elements in today's workplace
Answer: C
Explanation: C) According to a recent SHRM report, integrity and ethical behavior rank in the top five competencies needed for senior HR leaders. Moreover, it is the duty of HR professionals to help create an ethical climate in their organization.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 6

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84) Which term refers to the application of ethical principles to human resource relationships and activities?
A) morals
B) social ethics
C) business ethics
D) human resource ethics
Answer: D
Explanation: D) Human resource ethics is the application of ethical principles to HR relationships and activities. It is vitally important that those who work in HRM understand those practices that are unacceptable and ensure that organizational members behave ethically in dealing with others.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 6

85) Which of the following is NOT one of the triple bottom line factors of corporate social responsibility?
A) society
B) environment
C) economy
D) culture
Answer: D
Explanation: D) Companies such as Nike, Kodak, and Intel have demonstrated the ability to manage the "triple bottom line" of social responsibility (society, environment, and economy). Culture is not one of the factors.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 6

86) The implied, enforced, or felt obligation of managers, acting in their official capacities, to serve or protect the interests of groups other than themselves is known as _____.
A) human resource ethics
B) environmental morality
C) corporate social responsibility
D) business centered morality
Answer: C
Explanation: C) Corporate social responsibility (CSR) is the implied, enforced, or felt obligation of managers, acting in their official capacity, to serve or protect the interests of groups other than themselves. When a corporation behaves as if it has a conscience, it is said to be socially responsible.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 6

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87) When a corporation behaves as if it has a conscience, it is said to be _____.
A) globally ethical
B) socially responsible
C) participative
D) charitable
Answer: B
Explanation: B) When a corporation behaves as if it has a conscience, it is said to be socially responsible. Corporate social responsibility (CSR) is the implied, enforced, or felt obligation of managers, acting in their official capacity, to serve or protect the interests of groups other than themselves.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 6

88) Which term best describes how a company as a whole behaves towards society?
A) corporate social responsibility
B) business ethics
C) social morality
D) equal opportunity
Answer: A
Explanation: A) Corporate social responsibility (CSR) is the implied, enforced, or felt obligation of managers, acting in their official capacity, to serve or protect the interests of groups other than themselves. CSR considers the overall influence of corporations on society at large and goes beyond the interests of shareholders. It is how a company as a whole behaves toward society.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 6

89) Which HR practice would most likely be improved through a firm's efforts at corporate social responsibility?
A) benefits
B) recruiting
C) compensation
D) succession planning
Answer: B
Explanation: B) CSR has impacted the recruiting process for many firms. Current generations of workers are interested in working for firms that stress CSR.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 6

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90) According to Deborah Leipziger of the Ethical Corporation Institute, the more credible social responsibility efforts _____.
A) cannot be sustained in global commerce
B) don't require a commitment from top management
C) tend to be led by key players in a company
D) are incompatible with corporate profit motives
Answer: C
Explanation: C) Deborah Leipziger, an Ethical Corporation Institute researcher, said: "The more credible efforts tend to be led by key players within a company." An organization's top executives usually determine a corporation's approach to social responsibility.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 6

91) Which one of the following is not one of the 2011 Global 100 Most Sustainable Corporations in the world?
A) Kraft Foods, Inc.
B) Baxter International, Inc.
C) Weyerhaeuser Co.
D) Exxon Mobil Corporation
Answer: D
Explanation: D) Weyerhaeuser Co., Kraft Foods, Inc., and Baxter International, Inc. are among the 2011 Global 100 Most Sustainable Corporations in the World.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 6

92) Corporate social responsibility (CSR) is the implied, enforced, or felt obligation of managers, acting in their official capacity, to serve or protect the interests of groups other than themselves.
Answer: TRUE
Explanation: Corporate social responsibility (CSR) is the implied, enforced, or felt obligation of managers, acting in their official capacity, to serve or protect the interests of groups other than themselves. When a corporation behaves as if it has a conscience, it is said to be socially responsible.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 6

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93) What is corporate social responsibility (CSR)? Identify and discuss the characteristics of a CSR company.
Answer: Corporate social responsibility (CSR) is the implied, enforced, or felt obligation of managers, acting in their official capacity, to serve or protect the interests of groups other than themselves. A company that espouses CSR behaves as if it has a conscience. Furthermore, it strives to manage the "triple bottom line" of social responsibility (society, environment, and economy). A CSR firm considers its overall influence on society at large and goes beyond the interests of its shareholders. Such a company will issue corporate social responsibility reports that detail its environmental, labor, and corporate-giving practices. Because social responsibility has moved from nice-to-do to must-do, a CSR company may create the position of director of corporate social responsibility.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 6

94) Recent research into the relationship between ethical behavior and an employee's pay discovered that most companies base pay on _____.
A) entitlement and custom rather than on ethical behavior
B) performance metrics and ethical behavior
C) ethical behavior instead of entitlement and custom
D) guidelines presented in books on philosophy and religion
Answer: A
Explanation: A) The importance of linking pay to performance is an appropriate topic when discussing ethics. It is well known in the compensation world that "what you reward is what you get." If the statement is correct, then a problem exists because most companies do not link pay to ethical behavior but base pay on entitlement and custom.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 7

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95) Angie, an HR manager, has been given the task of strengthening the ethical culture at her firm. Which of the following activities would be most beneficial?
A) e-mailing ethics codes to all employees
B) posting ethics code posters in the hallways
C) writing a memo about ethics to top executives
D) discussing ethics during performance appraisals
Answer: D
Explanation: D) HR professionals can help foster an ethical culture, but that means more than just hanging the ethics codes posters on walls. Instead, since the HR professionals' primary job is dealing with people, they must help to instill ethical practices into the corporate culture. Those values must be clearly communicated to all employees, early and often, beginning with the interviewing process and reinforced during performance reviews.
Difficulty: Challenging
Skill: Application of knowledge
AACSB: Ethical understanding and reasoning
Learning Obj.: 7

96) According to a recent survey by Brighter Planet, although more firms are engaging in green activities, the effectiveness of these efforts has declined. Some believe that the problem with corporate social responsibility is that _____.
A) no universal set of corporate social responsibility guidelines is available
B) each firm has to follow a universal set of corporate social responsibility guidelines
C) corporations really don't want to pursue social responsibility
D) corporate social responsibility is a load of value-destroying nonsense
Answer: B
Explanation: B) Brighter Planet, a sustainability technology company, discovered in a recent survey that although more firms are engaging in green activities, the effectiveness of these efforts has declined. Some believe that the problem with CSR is that it consists of a universal set of guidelines such as the "triple bottom line." To be "socially responsible," each firm has to follow the same guidelines instead of what would be the most appropriate strategy for each firm.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 7

97) Milton Friedman, a Nobel Prize winning economist, asserted that _____.
A) as a firm creates wealth for its shareholders, society as a whole will also receive benefits
B) the pursuit of social responsibility does not affect the price of a company's stock
C) as a firm pursues corporate sustainability, it will create wealth for its stockholders
D) stockholders should quit whining and get behind corporate social responsibility
Answer: A
Explanation: A) According to Friedman, as a firm creates wealth for its shareholders, society as a whole will also be benefited.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 7

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98) Surveys indicate that most companies link employee bonuses to ethical performance.
Answer: FALSE
Explanation: A survey of 358 compliance and ethics professionals by the Society of Corporate Compliance and Ethics (SCCE) and the Health Care Compliance Association found that only a few companies have made ethics and compliance a process for determining how employees are compensated, and only about one company in six ties employee bonuses and incentives to ethical performance.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 7

99) Preparing ethics training for global organizations is _____ than preparing training for U.S. employees.
A) more complicated
B) less complicated
C) no different
D) None of the above
Answer: A
Explanation: A) Ethics training for global organizations is more complicated than preparing training for U.S. employees. One must also train for the country in which the global company operates.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 8

100) KPMG uses all of the following approaches EXCEPT _____ to handle ethical issues.
A) adopting expedient, site-specific procedures
B) providing multiple channels for raising alarms
C) ensuring consistent investigation and resolution of all reported matters
D) eliminating fear of retaliation for those who raise questions
Answer: A
Explanation: A) At KPMG, there are three fundamental factors in handling ethics issues: provide multiple channels for raising alarms, eliminate fear of retaliation for those who raise questions, and ensure consistent investigation and resolution of all matters reported.
Difficulty: Moderate
Skill: Application of knowledge
AACSB: Ethical understanding and reasoning
Learning Obj.: 8

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101) Ethics training should be part of a _____.
A) reactive strategy
B) contextual strategy
C) defensive strategy
D) proactive strategy
Answer: D
Explanation: D) Ethics training should be part of a proactive, not reactive, strategy. Regular training builds awareness of common ethical issues and provides tools for effective problem solving.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 8

102) Lincoln Enterprises recently fired two employees who were caught stealing tools from the firm's warehouse. As a result, the CEO of Lincoln wants to strengthen the firm's ethical culture and prevent future violations by requiring employees to participate in ethics training programs. Which of the following best supports the CEO's idea?
A) Lincoln Enterprises desires the respect of citizens in the local community.
B) The social contract developed by Lincoln Enterprises addresses employee concerns.
C) HR managers at Lincoln Enterprises provide new employees with policy handbooks.
D) The Sarbanes-Oxley Act requires Lincoln Enterprises to provide ethics training courses.
Answer: A
Explanation: A) Companies that consistently rank high on the lists of best corporate citizens tend to make ethics training part of a company-wide initiative to promote integrity. If Lincoln wants the respect of the community, then ethics training would be beneficial. Social contracts primarily relate to corporate social responsibility rather than ethics programs. Providing ethics information in a handbook is typically insufficient. The FSGO required ethics training programs, not the Sarbanes-Oxley Act.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 8

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103) Lincoln Enterprises recently fired two employees who were caught stealing tools from the firm's warehouse. As a result, the CEO of Lincoln wants to strengthen the firm's ethical culture and prevent future violations by requiring employees to participate in ethics training programs. Which of the following most likely undermines the CEO's idea?
A) Middle managers at Lincoln regularly receive reports of questionable employee behavior.
B) Since Lincoln Enterprises is a global firm, the training program would need to be translated.
C) Senior managers at Lincoln indicate that valuable work time would be lost with a training program.
D) Competitors of Lincoln Enterprises provide regular ethics training programs to managers and employees.
Answer: C
Explanation: C) Ethics training should begin at the top and be driven down the organization by senior management. If senior managers at Lincoln fail to see the value of an ethics program, then the program will not be effective because top management sets the ethical tone. Middle managers are the ones who will likely be the first to receive reports of unethical behavior, so if Lincoln's middle managers are hearing about issues then the training would be useful. The global nature of the firm and the firm's competition are less relevant issues.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 8

104) According to research, what characteristic is most frequently shared by firms that receive high rankings for corporate social responsibility?
A) encouraging employees to participate in civic activities
B) requiring managers to understand ethics laws
C) promoting integrity through ethics training
D) linking compensation to ethical behaviors
Answer: C
Explanation: C) Companies that consistently rank high on the lists of best corporate citizens tend to make ethics training part of a company-wide initiative to promote integrity. Only a small percentage of firms link pay to ethics.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 8

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105) The concept of _____ has evolved from the traditional view of corporate social responsibility.
A) social scaffolding
B) planetary progressivism
C) work-life balance
D) corporate sustainability
Answer: D
Explanation: D) Corporate sustainability has evolved from the more traditional view of corporate social responsibility.
Difficulty: Moderate
Skill: Concept
AACSB: Analytical thinking
Learning Obj.: 8

106) A sustainable corporation is capable of continuing _____.
A) in today's marketplace
B) in the marketplace of the future
C) not only in today's marketplace but also in the marketplace of the future
D) None of the above
Answer: C
Explanation: C) In recent years, sustainability has been expanded to include the social, economic, environmental, and cultural systems needed to support an organization. This type of organization is capable of continuing both now and in the future.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 8

107) In a business sense, one can think of corporate sustainability as providing _____.
A) long-term profitability
B) short-run cash flow
C) intermediate tax breaks
D) just-in-time inventory management
Answer: A
Explanation: A) One could think of corporate sustainability in a business sense as providing long-term profitability. Thus, sustainability should be a fundamental part of business strategy, product development, talent development, and capital investment.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 8

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108) _____ is a business and investment approach that strives to use the best business practices to meet the needs of current and future shareholders.
A) Corporate social responsibility
B) Corporate sustainability
C) First-in, first-out inventory management
D) Cash-flow maximization
Answer: B
Explanation: B) Corporate sustainability may be thought of as being a business and investment approach that strives to use the best business practices to meet the needs of current and future shareholders.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 8

109) Sustainability has been an integral part of _____ for more than 65 years.
A) McDonald's
B) Home Depot
C) JP Morgan Chase
D) Johnson & Johnson
Answer: D
Explanation: D) Tish Lascelle with Johnson & Johnson said, "Sustainability is embedded in our culture. It's been a part of who we are for more than 65 years, long before the notion of sustainability became trendy."
Difficulty: Moderate
Skill: Application of knowledge
AACSB: Ethical understanding and reasoning
Learning Obj.: 8

110) The philosophy of sustainability at Dow Chemical is exemplified by the slogan _____.
A) "Better living through chemistry."
B) "If you can't do it better, why do it?"
C) "If we don't do it, somebody else will."
D) "With chemicals, there's no such thing as a bad day."
Answer: B
Explanation: B) Dow Chemical's way of thinking regarding sustainability is, "If you can't do it better, why do it?" This philosophy is at the very heart of sustainability at Dow. Every decision is made with the future in mind.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 8

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111) Ethics training should _____.
A) start at the bottom and move upward through all organizational levels
B) focus only on the employees who deal with the public on a day-to-day basis
C) begin at the top and continue through all levels of the organization
D) start with mid-level management and move laterally through the organization
Answer: C
Explanation: C) Ethics training should begin at the top and continue through all levels in the organization.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 8

112) According to the Corporate Knights' seventh annual report on the world's most sustainable corporations, all of the following EXCEPT _____ is among the top five U.S. companies with most green-friendly, sustainable practices.
A) General Electric Co.
B) Johnson & Johnson
C) Archer Daniels Midland Co.
D) Intel Corporation
Answer: C
Explanation: C) Corporate Knights, a Toronto-based media company and sustainability reporter, recently released its seventh annual report of the world's best sustainable corporations. The top five U.S. companies with the most green-friendly, sustainable practices were Johnson & Johnson, Intel Corp., General Electric Co., Agilent Technologies, Inc., and Johnson Controls Inc.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 8

113) According to the FSGO, firms must provide ethical training to employees.
Answer: TRUE
Explanation: The Federal Sentencing Guidelines for Organizations Act outlined an effective ethics training program and explained the seven minimum requirements for an effective program to prevent and detect violations. The fourth requirement stated, "Educate employees in the company's standards and procedures through publications and training."
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 8

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114) Ethics training for global firms requires accurate translations as well as localization.
Answer: TRUE
Explanation: Ethics training for global organizations is more complicated than preparing the training for U.S. employees. Experts say that localization is as important as the accuracy of the translation process. Learners need to be able to connect in a way that is believable to them.
Difficulty: Moderate
Skill: Concept
AACSB: Analytical thinking
Learning Obj.: 8

115) What role should ethics training play in a corporation's overall strategy?
Answer: Companies that consistently rank high on the lists of best corporate citizens tend to make ethics training part of a company-wide initiative to promote integrity. Ethics training should be part of a proactive, not reactive, strategy. Regular training builds awareness of common ethical issues and provides tools for effective problem solving. Ethics training should begin at the top and continue through all levels in the organization.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 8

116) The model in which environmental, social, and economic responsibilities are satisfied concurrently is known as _____.
A) corporate social responsibility
B) global activism
C) giving back to the planet
D) restoration and revivification
Answer: A
Explanation: A) Corporate social responsibility is the model in which environmental, social, and economic responsibilities are satisfied concurrently.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 9

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117) Over the years, Procter & Gamble has pursued programs in all of the following areas EXCEPT _____.
A) strip mining in Eastern Kentucky
B) employment opportunities for women and minorities
C) environment-protection technology
D) involvement in civic activities and the political process
Answer: A
Explanation: A) Procter & Gamble has long believed it has a responsibility for the long-term benefit of society as well as the company. Over the years, P&G has pursued programs to strengthen U.S. education, to encourage employment opportunities for minorities and women, to develop and implement environment-protection technology, and to encourage employee involvement in civic activities and the political process.
Difficulty: Easy
Skill: Application of knowledge
AACSB: Ethical understanding and reasoning
Learning Obj.: 9

118) A global organization known as _____ helps member companies achieve success in ways that respect ethical values, people, communities, and the environment.
A) Global Businesses United for Change
B) World Commission on Sustainability
C) Socially Responsible Corporate Citizens
D) Business for Social Responsibility
Answer: D
Explanation: D) Business for Social Responsibility is a global organization that helps member companies achieve success in ways that respect ethical values, people, communities, and the environment.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 9

119) In his book *Capitalism and Freedom*, Milton Friedman argues that _____.
A) doing well while doing good is an essential corporate mantra
B) socially responsible behavior adds to the corporation's bottom line
C) corporations are responsible for the environment, society, and profits
D) the only social responsibility of business is to increase profits
Answer: D
Explanation: D) In his book Capitalism and Freedom, Friedman argued that the only social responsibility of business was to increase its profits.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 9

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120) Before the 2010 oil spill in the Gulf of Mexico, British Petroleum (BP) had _____.
A) provided sustainability training to its oil rig workers
B) been fined more than $100 million for safety violations
C) never claimed to be anything more than an oil company
D) invested billions in stronger safety protocols on its drilling rigs
Answer: B
Explanation: B) Long before the enormous oil spill in 2010, BP promoted itself as a producer of alternative energies, claiming that BP stood for "Beyond Petroleum." Many believe that BP would have been much better off if it had spent more time and effort in training its employees on its oil drilling platforms, establishing stronger safety protocols, and waiting until its oil rigs were safe to operate. Even during this public relations campaign, BP had been "fined more than $100 million for safety violations."
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 9

121) Which of the following companies announced that it would double its green technology research expenditures and "make money doing it"?
A) General Electric
B) Burger King
C) Procter & Gamble
D) Hewlett-Packard
Answer: A
Explanation: A) When GE CEO Jeffrey Immelt announced that the company would double its spending on green technology research, it was no grand attempt to save the planet; it was an example of astute business strategy. Immelt said, "We plan to make money doing it."
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 9

122) Who usually determines a corporation's approach to social responsibility?
A) government
B) stockholders
C) top executives
D) board of directors
Answer: C
Explanation: C) An organization's top executives usually determine a corporation's approach to social responsibility. For example, when McDonald's began, it was Ray Kroc's philosophy to be a community-based business. His philosophy from the very beginning was to give back to the communities that McDonald's served.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 9

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123) A study on global CSR conducted during the recent economic downturn discovered all of the following EXCEPT _____.
A) 22 percent of respondents think the crisis will have a negative impact on CSR
B) 35 percent of respondents think CSR has become a victim of its own hype
C) 44 percent of respondents think the crisis will cause CSR to be applied more often
D) 28 percent of respondents think the real meaning of CSR will change
Answer: B
Explanation: B) In the study on global CSR conducted during the economic breakdown, 44 percent believe that CSR policies will be applied more often as a result of the crisis, 28 percent think that the real meaning of CSR will change in the framework of the new conditions, and 22 percent believe that the crisis will have a negative impact on CSR.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 9

124) According to the Nobel-Prize-winning economist, Milton Friedman, the only social responsibility of a business is to increase its profits.
Answer: TRUE
Explanation: In his book *Capitalism and Freedom*, Friedman argued that the only social responsibility of business was to increase its profits. He asserted that as a firm creates wealth for its shareholders, society as a whole will also be benefited.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 9

125) Many organizations today refer to the "triple bottom line" suggesting that attention is now being paid to social and environmental concerns as well as economic issues.
Answer: TRUE
Explanation: The "triple bottom line" refers to three factors of corporate social responsibility-society, environment, and economy. Firms that demonstrate the ability to manage all three factors represent the top five percent of socially responsible companies.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 9

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126) Procter & Gamble has served as a leader in corporate social responsibility by developing and implementing environment-protection technology and encouraging employees to participate in civic activities.
Answer: TRUE
Explanation: Procter & Gamble has long believed it has a responsibility for the long-term benefit of society as well as the company. Over the years, P&G has pursued programs to strengthen U.S. education, to encourage employment opportunities for minorities and women, to develop and implement environment-protection technology, and to encourage employee involvement in civic activities and the political process.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 9

127) An organization's middle managers usually initiate a corporation's approach to social responsibility.
Answer: FALSE
Explanation: Usually, top executives in a firm determine the organization's approach to CSR. Lower level managers are more active in implementing policies.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 9

128) Corporate social responsibility is the model in which the pursuit of profit is replaced by the pursuit of social and environmental goals.
Answer: FALSE
Explanation: Corporate social responsibility is the model in which economic, social, and environmental responsibilities are satisfied concurrently.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 9

129) According to the World Commission on Environment and Sustainability, when a company creates wealth for its shareholders, society as a whole will also benefit.
Answer: FALSE
Explanation: In his book *Capitalism and Freedom*, Friedman argued that the only social responsibility of business was to increase its profits. He asserted that as a firm creates wealth for its shareholders, society as a whole will also be benefited.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 9

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130) Before the 2010 oil spill in the Gulf of Mexico, British Petroleum promoted itself as being eco-friendly, stating that BP stood for "Beyond Petroleum."
Answer: TRUE
Explanation: Long before the enormous oil spill in 2010, BP promoted itself as being eco-friendly. Its literature stated that BP stood for "Beyond Petroleum." BP marketed itself as a producer of alternative energies, an image that was seriously damaged by the devastating oil spill in the Gulf of Mexico.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 9

131) Identify and discuss the arguments against corporate social responsibility.
Answer: Not all companies have embraced the concept of corporate social responsibility. Some have challenged the concept that doing well is doing good (DWDG). They believe that although appealing to some, DWDG is also profoundly wrong. Milton Friedman taught at the University of Chicago for more than three decades and was a recipient of the Nobel Memorial Prize in Economic Sciences. In his book *Capitalism and Freedom*, he argued that the only social responsibility of business was to increase its profits. According to Friedman, as a firm creates wealth for its shareholders, society as a whole will also be benefited. Friedman disciples continue to condemn CSR as a hotchpotch of "value-destroying nonsense."

Some argue that publicly endorsing a culture of ethics and social responsibility is merely a public relations campaign. Long before the oil spill in 2010, BP marketed itself as a producer of alternative energies. Many believe that BP would have been much better off if it had spent more time and effort in training its employees on its oil drilling platforms, establishing stronger safety protocols, and waiting until they were safe to operate.

Brighter Planet, a sustainability technology company, discovered in a recent survey that although more firms are engaging in green activities, the effectiveness of these efforts has declined. Some believe that the problem with CSR is that it consists of a universal set of guidelines such as the "triple bottom line" (society, environment, and economy). To be "socially responsible," each firm has to follow the same guidelines instead of what would be the most appropriate strategy for each firm.
Difficulty: Challenging
Skill: Critical thinking
AACSB: Ethical understanding and reasoning
Learning Obj.: 9

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132) According to the World Commission on Environment and Sustainability, the narrow definition of *sustainability* is _____.
A) meeting the needs of the present without compromising the ability of future generations to meet their own needs
B) foregoing the needs of the present to enhance the ability of future generations to meet their own needs
C) meeting the needs of the present without considering the ability of future generations to meet their own needs
D) pursuing the needs of the present while assuming that future generations will do the same
Answer: A
Explanation: A) According to the World Commission on Environment and Sustainability, the narrow definition of sustainability is "meeting the needs of the present without compromising the ability of future generations to meet their own needs."
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 10

133) After more than 15 years of corporate social responsibility programs, Bangladesh's garment workers are _____.
A) paid a living wage
B) among the worst paid in the world
C) offered benefits, such as health care and paid vacations
D) some of the best paid workers in the world
Answer: B
Explanation: B) After more than 15 years of corporate social responsibility programs, Bangladesh's garment workers are among the worst paid in the world.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 10

134) According to a sustainability survey commissioned by the consulting firm KPMG, approximately _____ of large and mid-sized companies worldwide have an active sustainability program in place.
A) 62 percent
B) 11 percent
C) 33 percent
D) 75 percent
Answer: A
Explanation: A) Approximately 62 percent of large and medium-sized companies worldwide have an active sustainability program in place, and another 11 percent are developing one, according to a sustainability survey commissioned by consulting firm KPMG.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 10

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135) Corporate social responsibility and corporate sustainability are unrelated terms.
Answer: FALSE
Explanation: Corporate sustainability has evolved from the more traditional view of corporate social responsibility.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 10

136) In a narrow sense, the term "sustainability" can be defined as meeting the needs of the present without compromising the ability of future generations to meet their own needs.
Answer: TRUE
Explanation: According to the World Commission on Environment and Sustainability, the narrow definition of sustainability is "meeting the needs of the present without compromising the ability of future generations to meet their own needs."
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 10

137) Identify the term "sustainability" and discuss its role in business.
Answer: Corporate sustainability has evolved from the more traditional view of corporate social responsibility. According to the World Commission on Environment and Sustainability, the narrow definition of sustainability is "meeting the needs of the present without compromising the ability of future generations to meet their own needs." In addition, sustainability includes the social, economic, environmental, and cultural systems needed to support an organization. Furthermore, corporate sustainability is a business and investment approach that strives to use the best business practices to meet the needs of current and future shareholders. Today it relates to how an organization's decisions could affect society and the environment as a whole. One could think of corporate sustainability in a business sense as providing long-term profitability. Thus, sustainability should be a fundamental part of business strategy, product development, talent development, and capital investment.
Difficulty: Challenging
Skill: Critical thinking
AACSB: Ethical understanding and reasoning
Learning Obj.: 10

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138) Which term refers to a systematic assessment of a company's activities in terms of social impact?
A) managerial appraisal
B) social audit
C) social responsibility metric
D) ethics audit
Answer: B
Explanation: B) A social audit is a systematic assessment of a company's activities in terms of its social impact. To overcome the negative publicity of corporate misdeeds and to restore trust, businesses are now conducting audits of their social responsibility activities, not just financial audits.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 11

139) Which of the following is NOT a topic included in the social responsibility audit focus?
A) open communication
B) treatment of employees
C) leadership
D) management structure
Answer: D
Explanation: D) A social audit is a systematic assessment of a company's activities in terms of its social impact. Some of the topics included in the audit focus on core values such as social responsibility, open communication, treatment of employees, confidentiality, and leadership but not management structure.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 11

140) Which of the following is NOT one of the types of social audits currently being utilized?
A) simple inventory of activities
B) analysis of social and cultural norms
C) compilation of socially relevant expenditures
D) determination of social impact
Answer: B
Explanation: B) An increasing number of companies, as well as public and voluntary sector organizations, are trying to assess their social performance systematically. Three possible types of social audits are currently being used: (1) simple inventory of activities, (2) compilation of socially relevant expenditures, and (3) determination of social impact.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 11

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141) Which of the following would NOT be considered a socially-oriented activity for a firm?
A) ADA adherence
B) minority training
C) corporate giving
D) pollution control
Answer: A
Explanation: A) Socially oriented activities undertaken by the firm might include minority employment and training, support of minority enterprises, pollution control, and corporate giving. Complying with the ADA is legally required.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 11

142) According to your textbook, the ideal social audit would involve _____.
A) presenting an inventory list of socially responsible activities
B) calculating socially relevant expenditures
C) determining the true benefits to society of any socially oriented business activity
D) adding terms and definitions to the lexicon of socially responsible behavior
Answer: C
Explanation: C) The ideal social audit would go well beyond a simple listing and involve determining the true benefits to society of any socially oriented business activity.
Difficulty: Challenging
Skill: Concept
AACSB: Analytical thinking
Learning Obj.: 11

143) A social audit is a systematic assessment of a company's activities in terms of its social impact.
Answer: TRUE
Explanation: To overcome the negative publicity of corporate misdeeds and to restore trust, businesses are now conducting audits of their social responsibility activities, not just financial audits. A social audit is a systematic assessment of a company's activities in terms of its social impact.
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 11

144) The ideal social audit lists socially responsible activities and how much each one costs.
Answer: FALSE
Explanation: The ideal social audit would go well beyond a simple listing and involve determining the true benefits to society of any socially oriented business activity.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 11

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145) A typical social audit in a business focuses on corporate revenues, cash flows, and retained earnings.
Answer: FALSE
Explanation: A typical business social audit focuses on core values such as social responsibility, open communication, treatment of employees, confidentiality, and leadership.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 11

146) What is the purpose of a social audit? What methods are available to firms that want to conduct social audits?
Answer: To overcome the negative publicity of corporate misdeeds and to restore trust, businesses are now conducting audits of their social responsibility activities, not just financial audits. A social audit is a systematic assessment of a company's activities in terms of its social impact. Three possible types of social audits are currently being used: (1) simple inventory of activities, (2) compilation of socially relevant expenditures, and (3) determination of social impact.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 11

147) There is greater recognition among some leading global CSR organizations that CSR efforts are an exercise in _____.
A) legislating laws that may or may not protect employee rights
B) reputational management
C) employee branding
D) ensuring that Wall Street firms maximize profits
Answer: B
Explanation: B) There is a growing recognition among some leading global CSR organizations that the first 15 years of CSR efforts have not produced the desired results, and that significant changes will have to be made if CSR is to be anything more than an expensive exercise in "reputational management." Dan Rees, director of the UK's Ethical Trading Initiative, said, "CSR in general has become a bit of a victim of its own hype. . . . we have to stop pretending that companies in and of themselves can on their own transform industrial relations in foreign lands."
Difficulty: Moderate
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 12

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148) Firms competing in the global environment continue the lowest possible production costs while still being in compliance with national laws and also be socially responsible.
Answer: FALSE
Explanation: The global environment has traditionally judged management primarily on furthering the firm's bottom line. If this is so, it may be easier to be socially responsible in a prospering economy but more difficult when the economy is bad. Recently, some global firms appear to be questioning the wisdom of being socially responsible.
Difficulty: Challenging
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 12

149) From a global perspective, it may be easier to be socially responsible in a prospering economy but more difficult when the economy is bad.
Answer: TRUE
Explanation: The global business world often judges management primarily on protecting the firm's bottom line. Therefore, it may be easy to be socially responsible in a prospering economy but more difficult when the economy is bad.
Difficulty: Easy
Skill: Concept
AACSB: Ethical understanding and reasoning
Learning Obj.: 12

150) What is the status of global CSR since the recession of 2008-2010?
Answer: The question being asked is, "Can firms competing in the global environment continue the lowest possible production costs while still being in compliance with national laws and also be socially responsible?" The global business world often judges management primarily on protecting the firm's bottom line. Hence, it may be easy to be socially responsible in a prospering economy but more difficult when the economy is bad.

There is a growing recognition among leading global CSR organizations that the first 15 years of CSR efforts have produced mixed results, and that significant changes will have to be made if CSR is to be anything more than an expensive exercise in "reputational management." Dan Rees, director of the UK's Ethical Trading Initiative, said, "CSR in general has become a bit of a victim of its own hype…we have to stop pretending that companies in and of themselves can on their own transform industrial relations in foreign lands." However, a recent study does not fully support these conclusions. In the study on global CSR conducted during the economic breakdown, 44 percent believe that CSR policies will be applied more often as a result of the crisis, 28 percent think that the real meaning of CSR will change in the framework of the new conditions, and 22 percent believe that the crisis will have a negative impact on CSR.
Difficulty: Challenging
Skill: Concept
AACSB: Diverse and multicultural work environments
Learning Obj.: 12

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