Human Resource Management 15th edition Martocchio Test Bank

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Human Resource Management, 15e **(Martocchio)**
Chapter 2 Business Ethics, Corporate Social Responsibility, and Sustainability

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: Ethics is the discipline dealing with what is good and bad, or right and wrong, or with moral duty and obligation.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
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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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
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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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: Enron, Lehman Brothers, and WorldCom have been involved with ethical and illegal problems. General Electric (GE) has a history of honesty and transparency.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: 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.
Diff: 2
Skill: Concept
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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) restating the firm's integrity principles
D) asking stockholders for their opinions
Answer: C
Explanation: 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."
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

8) What do most of the 500 largest corporations in the United States have?
A) social responsibility audits
B) environmental audits
C) code of ethics
D) podcasts
Answer: C
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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

9) With regards to ethics, most of the 500 largest corporations in the United States 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: 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.
Diff: 2
Skill: Concept
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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) coworkers; mission statements
C) organizational culture; laws
D) laws; corporate leadership
Answer: D
Explanation: 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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

11) Surveys indicate that 25 percent 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

12) Most of the 500 largest corporations in the United States 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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.
Diff: 2
Skill: Concept
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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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: 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.
Diff: 3
Skill: Concept
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LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: The sources of ethical guidance should lead to your beliefs or a conviction about what is right or wrong.
Diff: 2
Skill: Concept
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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: Laws offer guidance to ethical behavior, prohibiting acts that can be especially harmful to others.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: 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."
Diff: 2
Skill: Application
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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.
Diff: 1
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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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: 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."
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: 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.
Diff: 1
Skill: Concept
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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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
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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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: 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.
Diff: 2
Skill: Concept
AACSB: Analytical thinking
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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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: 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. There was also a $5000 hammer.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: 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.
Diff: 2
Skill: Concept
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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: 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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: 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.
Diff: 2
Skill: Concept
AACSB: Analytical thinking
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: 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. The McCarran-Ferguson Act relates insurance regulation rather than business ethics.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
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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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

41) Which law contains broad employee whistleblower 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: The Sarbanes-Oxley Act contains broad employee whistleblower 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.
Diff: 2
Skill: Concept
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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: The Sarbanes-Oxley Act contains broad employee whistleblower 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.
Diff: 2
Skill: Application
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: 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.
Diff: 2
Skill: Concept
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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: In the 2003 *Bechtel v. Competitive Technologies Inc.* Supreme Court case involving 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. 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: In the 2003 *Bechtel v. Competitive Technologies Inc.* Supreme Court case involving 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. 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.
Diff: 1
Skill: Concept
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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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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: 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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

48) 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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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49) 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

50) 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

51) 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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

52) 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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53) The Federal Sentencing Guidelines for Organizations Act contains broad employee whistleblower 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 whistleblower 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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

54) 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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

55) 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

56) 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

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57) 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.1: Discuss what ethics means and the sources of ethical guidance

58) 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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

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59) 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: One way for a firm to create and sustain an ethical culture is to audit ethics, much like a company audit its 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.
Diff: 3
Skill: Application
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

60) Organizations with strong ethical cultures take steps to ensure that their standards are _____.
A) widely accessible
B) followed by leaders and employees
C) promoted
D) all of the above
Answer: D
Explanation: Organizations with strong ethical cultures take steps to ensure that their standards are widely accessible, promoted, and followed by their leaders and employees.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

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61) The climate fundamental to a company's ethical culture is set by whom?
A) employees
B) board of directors and the CEO
C) managers and supervisors
D) all of the above
Answer: D
Explanation: The climate with top management is fundamental to a company's ethical culture. Ethical leadership begins with the board of directors and CEO and continues to middle managers, supervisors, and employees. Building an ethical culture that lasts requires a foundation of practices that continue even when leaders change.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

62) An ethical culture consists of all of the following factors EXCEPT _____.
A) ethical leadership
B) guerilla marketing
C) values
D) accountability
Answer: B
Explanation: An ethical culture is made up of factors such as ethical leadership, accountability, and values.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

63) 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: 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.
Diff: 3
Skill: Application
AACSB: Ethical understanding and reasoning
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64) 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: 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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

65) 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 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.
Diff: 2
Skill: Application
AACSB: Ethical understanding and reasoning
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66) 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: 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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

67) 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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
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68) 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: 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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

69) A code of ethics establishes the _____ that the organization lives by.
A) policies
B) procedures
C) values
D) technologies
Answer: C
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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
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70) 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: Topics typically covered in a code of ethics might be business conduct, fair competition, and workplace and HR issues.
Diff: 2
Skill: Application
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

71) 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: 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.
Diff: 2
Skill: Application
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

72) 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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
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73) 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: 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.
Diff: 2
Skill: Application
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

74) 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: 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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

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75) 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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

76) The six core provisions in the SHRM code of ethics are professional responsibility, professional development, ethical leadership, fairness and justice, conflicts of interest, and use of information which is considered an excellent example of a code of ethics.
Answer: TRUE
Explanation: There are many kinds of ethical codes. An excellent example of a code of ethics was developed by the Society for Human Resource Management (SHRM). The six core provisions in the SHRM code of ethics are professional responsibility, professional development, ethical leadership, fairness and justice, conflicts of interest, and use of information.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

77) Code of conduct and code of ethics are the same so no distinctions are needed.
Answer: FALSE
Explanation: 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 while the code of ethics establishes the rules that the organization lives by. The code of ethics helps employees know what to do when there is not a rule for something.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

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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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

79) A code of ethics establishes the rules that an 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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

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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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.2: Explore human resources management's (HRM) role in creating an ethical culture and a code of ethics

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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.3: Define HR ethics

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: 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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.3: Define HR ethics

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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: 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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.3: Define HR ethics

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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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: 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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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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: 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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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: 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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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: CSR has impacted the recruiting process for many firms. Current generations of workers are interested in working for firms that stress CSR.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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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: 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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

91) Which one of the following is NOT one of the countries in which the 2017 Global 100 Most Sustainable Corporations in the world were commonly found?
A) United Kingdom
B) France
C) Mexico
D) United States
Answer: C
Explanation: The 2017 Global 100 Most Sustainable Corporations were most commonly found in the following countries: United States, France, United Kingdom, Canada, Germany, Netherlands.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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92) 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: 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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

93) 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: 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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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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: 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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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) emailing 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: 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.
Diff: 3
Skill: Application
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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: According to Friedman, as a firm creates wealth for its shareholders, society as a whole will also be benefited.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

98) Who usually determines a corporation's approach to social responsibility?
A) government
B) stockholders
C) top executives
D) board of directors
Answer: C
Explanation: An organization's top executives usually determine a corporation's approach to social responsibility.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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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: 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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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: 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.
Diff: 2
Skill: Application
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

101) Ethics training should be part of a _____.
A) reactive strategy
B) contextual strategy
C) defensive strategy
D) proactive strategy
Answer: D
Explanation: 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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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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: Companies that consistently rank high on the lists of best corporate citizens tend to make ethics training part of a companywide 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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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: 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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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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: Companies that consistently rank high on the lists of best corporate citizens tend to make ethics training part of a companywide initiative to promote integrity. Only a small percentage of firms link pay to ethics.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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: Corporate sustainability has evolved from the more traditional view of corporate social responsibility.
Diff: 2
Skill: Concept
AACSB: Analytical thinking
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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: 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."
Diff: 2
Skill: Application
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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: Ethics training should begin at the top and continue through all levels in the organization.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

112) What percentage of the S&P 500 Index companies reported having an active sustainability program in place in 2016?
A) 75%
B) 81%
C) 43%
D) 90%
Answer: B
Explanation: In 2016, approximately 81 percent of the S&P 500 Index companies reported having an active sustainability program in place, up from 20 percent in 2011.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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113) 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: 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."
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

114) 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: 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."
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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115) 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: 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."
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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: Corporate social responsibility is the model in which environmental, social, and economic responsibilities are satisfied concurrently.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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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: 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.
Diff: 1
Skill: Application
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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: 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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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: In his book *Capitalism and Freedom,* Friedman argued that the only social responsibility of business was to increase its profits.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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120) 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."
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

121) 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.
Diff: 2
Skill: Concept
AACSB: Analytical thinking
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

122) 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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123) 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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

130) Before the 2010 oil spill in the Gulf of Mexico, British Petroleum promoted itself as being ecofriendly, stating that BP stood for "Beyond Petroleum."
Answer: TRUE
Explanation: Long before the enormous oil spill in 2010, BP promoted itself as being ecofriendly. 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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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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.
Diff: 3
Skill: Critical thinking
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

132) 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 companywide 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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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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: After more than 15 years of corporate social responsibility programs, Bangladesh's garment workers are among the worst paid in the world.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

134) 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

135) 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."
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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136) 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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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.
Diff: 3
Skill: Critical thinking
AACSB: Ethical understanding and reasoning
LO: 2.4: Explain the concepts and practices related to corporate social responsibility and corporate sustainability

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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: 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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.5: Describe a social audit

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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.5: Describe a social audit

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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.5: Describe a social audit

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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: 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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.5: Describe a social audit

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: 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.
Diff: 3
Skill: Concept
AACSB: Analytical thinking
LO: 2.5: Describe a social audit

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.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.5: Describe a social audit

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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.5: Describe a social audit

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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.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.5: Describe a social audit

146) To restore trust from negative publicity of corporate misdeeds, businesses need to only conduct financial audits.
Answer: FALSE
Explanation: To overcome the negative publicity of corporate misdeeds and to restore trust, businesses are now conducting audits of their social responsibility activities and not just financial audits.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.5: Describe a social audit

147) Public and voluntary sector organizations are trying to assess their social performance systematically.
Answer: TRUE
Explanation: An increasing number of companies, as well as public and voluntary sector organizations, are trying to assess their social performance systematically.
Diff: 1
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.5: Describe a social audit

148) Generally only two types of social audits are being used.
Answer: FALSE
Explanation: 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. The inventory is generally a good starting place. It consists of a listing of socially oriented activities undertaken by the firm.
Diff: 2
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.5: Describe a social audit

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149) Pollution control and corporate giving is included in the listing of socially oriented activities.
Answer: TRUE
Explanation: Some examples of listing of socially oriented activities undertaken by the firm include: minority employment and training, support of minority enterprises, pollution control, corporate giving, involvement in selected community projects by executives, and a hard-core unemployment program. 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.
Diff: 2
Skill: Concept
AACSB: Reflective thinking
LO: 2.5: Describe a social audit

150) 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.
Diff: 3
Skill: Concept
AACSB: Ethical understanding and reasoning
LO: 2.5: Describe a social audit

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CHAPTER 2

BUSINESS ETHICS, CORPORATE SOCIAL RESPONSIBILITY, AND SUSTAINABILITY

CHAPTER OBJECTIVES

2.1 Discuss what ethics means and the sources of ethical guidance
2.2 Explore human resource management's (HRM) role in creating an ethical culture and a code of ethics
2.3 Define human resource ethics
2.4 Explain the concepts and practices related to corporate social responsibility and corporate sustainability
2.5 Describe a social audit

KEY TERMS

Ethics: Discipline dealing with what is good and bad, or right and wrong, or with moral duty and obligation.
Code of ethics: Establishes the rules that the organization lives by.
Human resource ethics: Application of ethical principles to human resource relationships and activities.
Corporate social responsibility (CSR): Implied, enforced, or felt obligation of managers, acting in their official capacity, to serve or protect the interests of groups other than themselves.
Corporate sustainability: Concerns with possible future impact of an organization on society, including social welfare, the economy, and the environment.
Social audit: Systematic assessment of a company's activities in terms of its social impact.

LECTURE OUTLINE

DEFINING ETHICS AND THE SOURCES OF ETHICAL GUIDANCE

Ethics is the discipline dealing with what is good and bad, or right and wrong, or with moral duty and obligation. The concepts of corporate social responsibility (CSR) and corporate sustainability are related to ethics. 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. Corporate sustainability concerns with possible future impact of an organization on society, including social welfare, the economy, and the environment.

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BUSINESS ETHICS

Well-publicized corrupt conduct of companies such as WorldCom and Enron and their senior managers provide many examples of unethical leadership. Even though most Fortune 500 companies have a written code of ethics, business ethics scandals continue to make headlines.

Compliance with the law sets the minimum standard for ethical behavior; however, ethics is much more. There are many dimensions to ethics, and leaders must be able and willing to instill ethics throughout the culture of an organization.

SOURCES OF ETHICAL GUIDANCE

The sources of ethical guidance should lead to our beliefs or a conviction about what is right or wrong. Most would agree that people have a responsibility to avail themselves to these sources of ethical guidance.

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 in addition to the still, small voice that many refer to as conscience. 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. For most professionals, there are codes of ethics that prescribe certain behaviors.

LEGISLATING ETHICS

Much of the current legislation was passed because of business ethics breakdowns. There have been four attempts to legislate business ethics since the late 1980s.

- **PROCUREMENT INTEGRITY ACT of 1988**—Prohibits the release of source selection and contractor bid or proposal information. Passed after reports of military contracts for $500 toilet seats.

- **FEDERAL SENTENCING GUIDELINES FOR ORGANIZATIONS of 1992**—Outlined an effective ethics training program and explained the seven minimum requirements for an effective program to prevent and detect violations.

- **CORPORATE AND AUDITING ACCOUNTABILITY, RESPONSIBILITY AND TRANSPARENCY ACT of 2002**—Known as the Sarbanes-Oxley Act, the primary focus of the Act is to redress accounting and financial reporting abuses in light of recent corporate scandals. The Act has teeth, because in the 2003 *Bechtel v Competitive Technologies Inc.* Supreme Court case involving 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.

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- **WHISTLEBLOWER PROTECTION**—A *whistleblower* is someone who participates in an activity that is protected. The whistleblowing side of the Dodd-Frank is shaped after a successful IRS program. In passing the Act, Congress believed that award programs are an effective method to encourage people with information regarding violations of the law to come forward with the information to responsible law enforcement officials. The Act requires the SEC to provide an award to a qualifying whistleblower of no less than 10 percent, and no greater than 30 percent, of any sanction imposed against a violator of any securities laws as a result of "original information" from a whistleblower that is "voluntarily provided" to the SEC that leads to a successful enforcement or related action.

- **DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT**—Passed in 2010, the Act has provisions relating to executive compensation and corporate governance that directly and significantly impact the executives, directors, and shareholders of publicly traded companies and continue the increased federal regulation of corporate governance and executive compensation matters.

CREATING AN ETHICAL CULTURE AND A CODE OF ETHICS
Saying that a company has an ethical culture and actually having one may be two different things.

Ethical Culture
One way to create and sustain an ethical culture is to audit corporate ethics, much as corporate finances are audited 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 takes a closer look at a firm's ethical culture instead of just allowing it to remain unexamined.

To build and sustain an ethical culture, organizations must have a comprehensive framework that includes communication of behavior expectations, training on ethics and compliance issues, stakeholder input, resolution of reported matters, and analysis of the entire ethics program. A code of ethics helps employees know what to do when there is not a rule for something. Topics typically covered in a code of ethics might be business conduct, fair competition, and workplace and HR issues. Many employers appoint an ethics officer to support the code of ethics.

To make a code of ethics work, involvement by top management is necessary. There are five common ways that companies may lead good employees to make unethical choices:
1. It is psychologically unsafe to speak up
2. There is excessive pressure to reach unrealistic performance targets
3. Conflicting goals provoke a sense of unfairness
4. Ethical behavior is not part of the routine conversation

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5. A positive example isn't being set

CODE OF ETHICS
A code of conduct should tell employees what the rules of conduct are. A code of ethics established the rules that the organization lives by. This is an important distinction.

Topics in a code of ethics might include business conduct, fair competition, and workplace and HR issues.

HUMAN RESOURCE ETHICS
Human resource ethics can be defined as the application of ethical principles to human resource relationships and activities. Integrity and ethical behavior are top competencies for senior HR leaders. HR professionals play a key role in helping to build an ethical culture at an organization. Through practices such as selection, orientation, performance management, etc., HR can help establish an environment in which employees throughout the organization work to reduce ethical lapses.

HR should review, develop, and enforce organizational policies to ensure a high level of ethics throughout the organization.

LINKING PAY TO ETHICAL BEHAVIOR
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.

ETHICS TRAINING
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. Ethics training is not merely for top-level managers; it should be for everyone from the bottom to the top.

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.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY
Corporate social responsibility 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 encompasses meeting economic, social, and environmental responsibilities concurrently. Many organizations have demonstrated the bottom line impact of CSR activities.

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While these days more employers are publicly endorsing a culture of ethics and social responsibility, not all agree that CSR is important for companies. Milton Friedman was an American economist, statistician, academic, and author who taught at the University of Chicago for more than three decades and was a recipient of the Nobel Memorial Prize in Economic Sciences. He argued that here is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud. Friedman disciples continue to condemn CSR as a hodgepodge of, "value-destroying nonsense."

CORPORATE SUSTAINABILITY

Corporate sustainability has evolved from the more traditional corporate social responsibility. According to the World Commission on Environment and Sustainability, the narrow definition of sustainability or sustainable development is, "meeting the needs of the present without compromising the ability of future generations to meet their own needs." In recent years, sustainability has been changed to encompass the social, economic, environmental, and cultural systems needed to sustain any organization. This type of organization is capable of surviving both now and in the future. Increasingly, environmentally sound and cost-cutting operating procedures are also expected for suppliers and trade partners of organizations.

CONDUCTING A SOCIAL AUDIT

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. Firms are now acknowledging responsibilities to various stakeholder groups other than corporate owners.

ANSWERS TO CHAPTER 2 QUESTIONS FOR REVIEW

2-1. What are ethics and business ethics?

Ethics is a discipline dealing with what is good and bad, or right and wrong, or with moral duty and obligation. 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. Ethics is about deciding whether an action is good or bad and what to do about it if it is bad. Ethics is a philosophical discipline that describes and directs moral conduct. Those in management make ethical (or unethical) decisions every day.

2-2. What are some sources of ethical guidance?

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One might use numerous sources to determine what is right or wrong, good or bad, and moral or immoral, such as holy books or one's conscience. Another source of ethical guidance is the behavior and advice of people, including our parents, friends, and role models and members of our churches, clubs, and associations. For most professionals, there are codes of ethics that prescribe certain behavior.

What laws have been passed in an attempt to legislate ethics?

- **Procurement Integrity Act of 1988**: Passed after reports of military contracts for such things as $500 toilet seats. It prohibits the release of source selection and contractor bid or proposal information.

- **Federal Sentencing Guidelines for Organizations of 1992**: Outlined an effective ethics program.

- **Corporate and Auditing Accountability, Responsibility, and Transparency Act of 2002**: Criminalized many corporate acts that were previously relegated to various regulatory structures.

- **Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010**: Has provisions relating to executive compensation and corporate governance that directly and significantly impact the executives, directors, and shareholders of publicly traded companies and continue the increased federal regulation of corporate governance and executive compensation matters.

2-3. Why is it important to have a code of ethics?

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. A broad-based participation of those subject to the code is important. For a company to behave ethically, it must live and breathe its code of ethics, train its personnel, and communicate its code through its vision statements.

2-4. Regarding business ethics, what does the statement, "what you reward is what you get," mean?

In compensation circles it is well know that what you reward is what you get. If the statement is correct, then a problem exists with regard to compensation because most companies do not link pay to ethical behavior.

2-5. What are HR ethics?

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The application of ethical principles to human resource relationships and activities is called human resource ethics.

2-6. What are the areas in which HR professionals can have a major impact on ethics?

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 interview process, reinforced during employee orientation, and regularly recognized during performance reviews, public ceremonies, celebrations, and awards. They need to help establish an environment in which employees throughout the organization work to reduce ethical lapses. The ethical bearing of those in HR goes a long way toward establishing the credibility of the entire organization.

2-7. What is corporate social responsibility?

Corporate social responsibility 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. It is how a company as a whole behaves toward society.

2-8. What does corporate sustainability mean?

Corporate sustainability has evolved from the more traditional corporate social responsibility. According to the World Commission on Environment and Sustainability, the narrow definition of sustainability or sustainable development is, "meeting the needs of the present without compromising the ability of future generations to meet their own needs." In recent years, sustainability has been changed to encompass the social, economic, environmental, and cultural systems needed to sustain any organization. This type of organization is capable of surviving both now and in the future.

2-9. What are some of the practices companies can use to promote sustainability?

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. According to Louis D. Coppola, executive vice president of the Government & Accountability Institute, "Leaders increasingly understand the critical importance of adopting and implementing strategies, products, services, programs and initiatives that reflect the twenty-first century business environment, and the interest of investors and important stakeholders." HR professionals also play an important role in promoting corporate sustainability objectives.

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Essentially it is about how a firm handles its business while understanding how these decisions may affect others. 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. Some organizations have emphasized the importance of corporate sustainability by establishing the position of chief sustainability office.

DISCUSSION OF CHAPTER 2 INCIDENTS

HRM Incident 1: An Ethical Flaw

Amber Davis had recently graduated from college with a degree in general business. Amber was quite bright, although her grades did not reflect this. She had thoroughly enjoyed school, dating, playing tennis, and swimming, but found few stimulating academic endeavors. When she graduated, she had not found a job. Her dad was extremely upset when he discovered this, and he took it upon himself to see that Amber became employed.

Amber's father, Allen Davis, was executive vice president of a medium-sized manufacturing firm. One of the people he contacted in seeking employment for Amber was Bill Garbo, the president of another firm in the area. Mr. Davis purchased many of his firm's supplies from Garbo's company. After telling Bill his problem, Allen was told to send Amber to Bill's office for an interview. Amber went, as instructed by her father, and before she left Bill's firm, she was surprised to learn that she had a job in the accounting department. Amber may have been lazy, but she certainly was not stupid. She realized that Bill had hired her because he hoped that his action would lead to future business from her father's company. Although Amber's work was not challenging, it paid better than the other jobs in the accounting department.

It did not take long for the employees in the department to discover the reason she had been hired; Amber told them. When a difficult job was assigned to Amber, she normally got one of the other employees to do it, implying that Mr. Garbo would be pleased with that person if he or she helped her out. She developed a pattern of coming in late, taking long lunch breaks, and leaving early. When the department manager attempted to reprimand her for these unorthodox activities, Amber would bring up the close relationship that her father had with the president of the firm. The department manager was at the end of his rope.

QUESTIONS

2-18. From an ethical standpoint, how would you evaluate the merits of Mr. Garbo's employing Amber? Discuss.

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Mr. Garbo should not have been pressured by Mr. Davis to hire his daughter, Amber. The employment of a "friend's" son or daughter may or may not be a good business practice. If Amber had been competent, mature, ambitious, energetic, and wanted to learn the business, then Mr. Garbo would have made a good decision. However, Amber did not possess these characteristics, and so Mr. Garbo's decision was based solely on his business relationship with Mr. Davis. Obviously, employment decisions should be based on business or professional judgment and not on personal relationships. Finally, it was unethical of Mr. Davis to have pressured Mr. Garbo to hire Amber.

2-19. Now that she is employed, how would you suggest that the situation be resolved?

Amber should be encouraged to become a productive member of the accounting department, or she should be replaced. It should be made clear to her that her father's connections with Mr. Garbo may have gotten her *in the door*, but will not *keep her inside* unless she becomes an effective and efficient performer.

2-20. It may be that Mr. Garbo viewed the hiring of Amber as strictly a business decision that would ensure receiving continued business from Amber's father. What might be some negative results of this questionable ethical decision?

Other workers have noticed that Amber is taking advantage of the situation. Some may use her work performance as the standard to be achieved in the department. This would prove to be a problem for them since although the department manager cannot fire Amber, other employees are not as lucky. The morale in the department is sure to suffer and the only way for it to improve is to somehow get Amber's performance up to where it should be or to get rid of Amber.

HRM Incident 2: Illegal Hiring

The Foreign Corrupt Practices Act (FCPA) prohibits U.S. companies from bribing foreign officials; yet, the number of violations each year is staggering. Some violations center on the use of unethical HR practices. For example, the banking industry has been investigated for its internship and full-time employment hiring practices. The Bank of New York Mellon Corp. (BNY Mellon) gave internships to family members of foreign government officials. The bank's leadership intended to maintain or increase business with a Middle Eastern sovereign wealth fund. Internship programs are legal and BNY Mellon has a legitimate internship program, but these internships were awarded outside the accepted procedures and criteria used in its program. The U.S. SEC issued a cease and-desist order, stating that, "Delivering them [internships] 'was seen by certain relevant [bank] employees as a way to influence the officials' decisions." This is the first cease-and-desist order of which internship hiring was the subject. Phillip Bezanson, a Bracewell & Giuliani Law LLP (firm) partner stated that, "the concept of 'anything of value' under

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the FCPA can be ‘really abstract.’. . .” In the end, the bank agreed to pay a $5 million penalty, give up $8.3 million, and pay $1.5 million in interest.

QUESTIONS

2-21. What would you have done in response to learning about these facts?

In the banking industry trust and ethical relationships are paramount. There is a strong argument as to the value of paying the fines, even though the FCPA was vague on this issue. By paying the penalty the bank may have minimized long-term damage to the relationships they have with customers

2-22. What factors in this situation might influence a company to make less-than-ethical decisions.

Large value customers might remove their assets from the bank if family members are not hired. This could have long-term financial repercussions both for the bank and the HR department. While the positions were real, the procedure in place for the hiring process was not followed.

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