Small Business Management Launching and Growing Entrepreneurial Ventures 19th edition Longenecker Test Bank

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MULTIPLE CHOICE

1 : Regina sometimes shorts the customer when weighing out bulk merchandise, believing the practice leads to higher profits; therefore, it is acceptable. We could infer that Regina
A : lacks integrity.
B : is not an entrepreneur.
C : cheats on her taxes.
D : is skimming.

Correct Answer : A

2 : Although unethical practices receive extensive attention in the news, most entrepreneurs and other business leaders are people of principle, whose _____ regulates their quest for profits.
A : integrity
B : self-sacrifice
C : synchronous behavior
D : loyalty

Correct Answer : A

3 : Ethical issues
A : seldom involve legal issues.
B : involve questions of right and wrong.
C : are always clearly defined.
D : often resolve themselves.

Correct Answer : B

4 : Which of the following is the most frequently observed form of workplace misconduct?
A : Abusive behavior
B : Lying to employees
C : Falsifying time reports or hours worked
D : Violations of Internet use policies

Correct Answer : A

5 : Which of the following would be considered a stakeholder in a business?
A : Employees
B : The community
C : Customers
D : All of these are correct.

Correct Answer : D

6 : Which of the following is NOT one of the four types of responsibilities for small businesses, as identified by business ethics and morality scholar Archie Carroll?
A : Economic
B : Discretionary
C : Legal
D : Fiscal

Correct Answer : D

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7 : Of all the possible stakeholders, which of the following are the three primary ones?
A : The government, the community, and customers
B : Owners, customers, and employees
C : Investors, creditors, and employees
D : Suppliers, customers, and the community

Correct Answer : B

8 : A small computer retailer makes every effort to satisfy customer needs both before and after the sale. However, this retailer regards social problems as being beyond the scope of his business. This firm's management has recognized
A : some degree of social responsibility in its commitment to customers.
B : the existence of social responsibilities but having failed to do anything about them.
C : ethical obligations to customers but not social responsibilities.
D : social responsibility as the domain of big business.

Correct Answer : C

9 : Milton Friedman argued that businesses
A : should avoid social responsibility whenever it is possible to do so.
B : should be required to use their resources to meet their social responsibilities.
C : can only earn profits if they do so in a socially responsible manner.
D : are justified in being socially responsible only if doing so enhances the firms value.

Correct Answer : D

10 : Because a firm has considerable discretion when revealing performance results, financial reports can sometimes be _____ without technically being illegal.
A : inaccurate
B : misleading
C : unreliable
D : bellicose

Correct Answer : B

11 : Providing support to the community is an example of a(n) _____ responsibility for a small business.
A : discretionary
B : economic
C : ethical
D : legal

Correct Answer : A

12 : When a company delivers an excellent product with first-rate service, _____ and _____ are likely to follow.
A : profits; a good reputation
B : customer satisfaction; profits
C : healthy sales; profits
D : customer satisfaction; healthy sales

Correct Answer : D

13 : Some experts estimate that one-third of all new businesses fail because of

A : employee theft.
B : inaccurate financial reporting.
C : poor marketing.
D : poor community commitments.

Correct Answer : A

14 : Bernard praises his employees as often as he catches someone doing something right. He often hosts family get-togethers for his few employees. Bernard knows
A : a little money spent on his employees will be returned many times over in profits.
B : happy employees make for satisfied customers.
C : this will lead to his employees being more engaged and productive.
D : its a waste of time and money, but he enjoys the camaraderie.

Correct Answer : C

15 : Clark, the owner of DEF LLC, bragged about hiding company income from the IRS but was surprised when he learned his sales manager was accepting kickbacks from customers. Clark should have remembered
A : kickbacks are common in his industry.
B : lapses in integrity are passed down from superiors to subordinates.
C : his sales manager could alert the IRS and Clark could be prosecuted for tax evasion.
D : bragging nearly always leads to trouble.

Correct Answer : B

16 : Which of the following is an example of an employee acting unethically toward his or her employer?
A : Taking a vacation
B : Taking unjustified sick leave
C : Working overtime
D : Taking a 15-minute break

Correct Answer : B

17 : _____ is the term for when an employee steals money from a firm.
A : Cheating
B : Fraud
C : Embezzlement
D : Promotion

Correct Answer : C

18 : An ethical business not only treats customers and employees honestly but also acts as a good citizen in its community. These broader obligations of citizenship are called
A : community commitment.
B : philanthropy.
C : environmentalism.
D : social responsibilities.

Correct Answer : D

19 : Entrepreneurs should think carefully about their community commitments, because building a business on a foundation of "doing good" may add to a small company's
A : bottom line.

B : financial burden.
C : payroll.
D : local profile.

Correct Answer : B

20 : Candace sells the muffins in her bakery at a higher price than the big-box grocery, but she has a steady stream of customers willing to pay what she asks. Candace also supports local charities. What would likely happen if she lowered her prices and stopped her charitable contributions?
A : Income taxes would decrease.
B : Customers would go elsewhere.
C : Business would increase.
D : None of these are correct.

Correct Answer : B

21 : Research suggests that entrepreneurs who head small, growth-oriented companies may be _____ than CEOs of large corporations.
A : more likely to take advantage of customers
B : more likely to display lapses in integrity
C : less socially sensitive
D : less narrowly focused on profits

Correct Answer : C

22 : Many entrepreneurs feel a duty to give back to the community in return for the local support they enjoy—and they usually benefit from increased _____ as a result.
A : publicity
B : respect
C : goodwill
D : management expertise

Correct Answer : C

23 : A band who fails to record the cash they collected for admission to their shows could be charged with
A : cash diversion.
B : tax evasion.
C : skimming.
D : payroll tax avoidance.

Correct Answer : C

24 : A firm understating income is guilty of
A : bait and switch.
B : skimming.
C : scaling.
D : relativism.

Correct Answer : B

25 : Skimming is an unethical business practice involving
A : fraudulent reporting of income for income tax purposes.
B : employees taking cash from the cash register.

C : sales associates offering gifts and inducements to purchasers.
D : managers of competing firms agreeing to charge high prices.

Correct Answer : A

26 : Entrepreneurs often come up short on their tax commitments because of a single-minded focus on their product or service and/or
A : casual accounting systems.
B : low-cost accounting software.
C : an incompetent in-house accountant.
D : cash-basis accounting systems.

Correct Answer : A

27 : All of the following make up employee payroll tax EXCEPT
A : unemployment.
B : sales tax.
C : Medicare.
D : Social Security.

Correct Answer : B

28 : Damon landed his first contract as an entrepreneur and submitted to the local newspaper a news release that gave the impression this was just one of a series of contracts and that business was booming. Damon has
A : told a legitimacy lie.
B : inflated his income.
C : evaded taxes.
D : violated the law.

Correct Answer : A

29 : Giving the impression a business is something it is not is
A : ingenious and resourceful.
B : illegal.
C : acceptable so long as no one is hurt by the transactions.
D : a way to manipulate customers.

Correct Answer : D

30 : PRO factors include
A : products, resources, and outputs.
B : products, representatives, and the organization.
C : people, resources, and outputs.
D : performance, relationships, and options.

Correct Answer : B

31 : When Evelyn hired a new sales manager, she issued a press release emphasizing the new hire's educational background and industry experience because
A : she wanted to introduce the sales manager to the community.
B : this was her first new hire and she wanted everyone to know her business was expanding.
C : she had stolen the sales manager from a competitor and wanted to gloat publicly.
D : she wanted to highlight and bolster the credibility of the sales manager.

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Correct Answer : D

32 : An effective way for an entrepreneur to establish legitimacy is to
A : hire experienced employees from competitors.
B : insist on professional behavior from all employees.
C : communicate the companys mission clearly and frequently.
D : outperform the competition by underbidding and overpromising.

Correct Answer : B

33 : A poll by an online media company found that more than 80 percent of Web users worry about
A : how well their personal information is being protected.
B : whether the content of a website is truthful.
C : phishing scams.
D : hacking.

Correct Answer : A

34 : A digital ID tag that collects data on consumers' buying habits related to a particular Internet address is known as a
A : cookie.
B : bot.
C : spider.
D : contact signature.

Correct Answer : A

35 : Which of the following would NOT be an example of "cyberslacking" at work?
A : Shopping online
B : Surfing the Internet
C : Making personal phone calls
D : Checking personal e-mail

Correct Answer : C

36 : If Floyd elects to monitor the Internet use of his employees at work, he should
A : install tracking software on each company computer.
B : first develop a carefully worded and legally sound policy, and then ensure all employees are aware of it.
C : consult an attorney before terminating an employee for surfing the Internet at work.
D : use URL blocks to stop employees from surfing the Internet.

Correct Answer : B

37 : An eBay retailer selling counterfeit Gucci and Louis Vuitton handbags is in violation of laws related to
A : Internet fraud.
B : intellectual property.
C : bait-and-switch marketing.
D : ethical imperialism.

Correct Answer : B

38 : If a student copies a favorite CD and gives it away to a friend to use, the student is

engaged in the theft of _____ property.
A : collective
B : intangible
C : intellectual
D : real

Correct Answer : C

39 : The saying "When in Rome, do as the Romans do" reflects a philosophy of ethical
A : insensitivity
B : elitism
C : imperialism
D : relativism

Correct Answer : D

40 : A U.S. manager is upset with the company's overseas representative for paying a small "access fee" to a local customs official to ensure the expedited release of a customer order. The manager's belief such payments are wrong reflects a sense of
A : cultural insensitivity.
B : ethical elitism.
C : ethical imperialism.
D : cultural integrity.

Correct Answer : C

41 : Which of the following statements about the Foreign Corrupt Practices Act is true?
A : It makes it illegal for foreign businesses to use bribery in their dealings in the United States.
B : It makes it illegal for U.S. businesses to use bribery in their dealings anywhere in the world.
C : It makes it legal for U.S. businesses to use bribery in their dealings anywhere in the world.
D : It makes it legal for U.S. businesses to use bribery in their dealings only in countries where bribery is legal.

Correct Answer : B

42 : Which of the following is NOT one of the long-term benefits of adopting ethical and responsible business practices, as suggested by the advocacy group Business for Social Responsibility?
A : Improved supply chain management
B : Improved productivity and quality
C : Improved access to capital
D : Better recruitment and reduced employee turnover

Correct Answer : A

43 : The advocacy group Business for Social Responsibility contends that which of the following is a long-term benefit of ethical and responsible business practices?
A : Improved financial performance
B : Ironclad customer loyalty
C : Increased customer turnover
D : Fewer regulatory citations

Correct Answer : A

44 : The business practices that a firm's leaders and employees view as right or wrong reflect their

A : ethical imperialism.
B : underlying values.
C : belief system.
D : code of ethics.

Correct Answer : B

45 : Perhaps the greatest benefit of integrity in business is the _____ it generates.
A : trust
B : profit
C : reputation
D : sales

Correct Answer : A

46 : In a small organization, the ethical influence of a leader is
A : relatively minor.
B : overpowered by profit concerns of stockholders.
C : less important than the views of others within the firm.
D : more pronounced than it is in a large corporation.

Correct Answer : D

47 : In a small organization, a(n) _____ has much greater influence on employees than _____ does.
A : code of ethics; a leaders behavior
B : leaders behavior; his or her stated philosophy
C : ethics training program; the leaders stated philosophy
D : code of ethics; the amount of legislation affecting the organization

Correct Answer : B

48 : In their highly influential book The Power of Ethical Management, Kenneth Blanchard and Norman Vincent Peale suggest that an ethics policy be based on all of the following fundamental principles EXCEPT
A : patience.
B : pride.
C : profit.
D : perspective.

Correct Answer : C

49 : A code of ethics becomes increasingly appropriate and necessary as a small business
A : expands its credit sales and acquires more customers who buy on credit.
B : begins to market products in other countries.
C : grows with a consequent lessening of personal interactions between the owner and employees.
D : increases borrowing to the extent that one third of its assets are financed by borrowing.

Correct Answer : C

50 : A survey of MBA students employed by small and medium-size companies revealed that codes of ethics shape and improve conduct in their organizations by
A : defining behavioral expectations.
B : providing a formal channel for communicating with superiors without fear of reprisal.
C : serving as a guide for handling peer pressure.

D : All of these are correct.

Correct Answer : D

51 : In drawing up a code of ethics, an entrepreneur should adopt a code
A : provided by the Ethics Resource Center of Washington, D.C.
B : that outlines principles to be followed by employees of the firm and give examples of these principles in action.
C : that highlights expected employee behavior, regardless of whether or not that behavior is consistent with the entrepreneurs own stated principles.
D : suggested by the Better Business Bureau.

Correct Answer : B

52 : The purpose of Better Business Bureaus is to
A : provide an outlet for customer complaints about a business.
B : promote ethical conduct on the part of all businesses in a region.
C : report relevant information to law enforcement agencies.
D : impose penalties on companies that engage in unethical business practices.

Correct Answer : B

53 : What is the best place to start your search for a solution to a challenging ethical problem?
A : Identify as many solutions as possible to the problem.
B : Look at the surface of the problem.
C : Identify the root of the problem.
D : None of these are correct.

Correct Answer : C

54 : Perhaps the most widely recommended principle for ethical behavior is to do what
A : is best for yourself.
B : will yield the most profits.
C : you would want others to do for you.
D : will reduce product prices.

Correct Answer : C

55 : When evaluating alternatives, the entrepreneur will select one that builds goodwill, is beneficial to all parties, is fair, and is
A : exploitable.
B : publishable.
C : truthful.
D : repeatable.

Correct Answer : C

56 : Marathon Sporting Goods recently received an award for its outstanding customer service and its dedication to using eco-friendly practices. Marathon's dedication to its customers and the environment is an example of
A : a sustainable small business.
B : ethical relativism.
C : social entrepreneurship.
D : ethical imperialism.

Correct Answer : A

57 : Michaela is using the Ethics Resource Center's decision-making process to resolve an ethical dilemma. She has identified all the solutions to her problem. What is Michaela's next step?
A : Choose a solution as quickly as possible, as time is of the essence.
B : Evaluate each of the identified alternatives.
C : Choose an "obvious" solution that has been used in the past.
D : Discard any "off-the-wall" solutions.

Correct Answer : B

58 : Which of the following types of business would be the most adversely affected by new environmental protection laws?
A : Medical waste disposal operations
B : Drugstores
C : Movie theaters
D : Liquor stores

Correct Answer : A

59 : An example of a business adversely affected by environmental protection laws would be a
A : glass manufacturer.
B : military contractor.
C : fast-food restaurant.
D : fast lube and oil change center.

Correct Answer : D

60 : An example of a small business that actually benefits from the growing interest in environmentalism would be a(n)
A : fast lube and oil change center.
B : producer of ethanol from farm waste.
C : self-service car wash.
D : asbestos removal service.

Correct Answer : B

61 : A baker looking for new retail space has returned from a seminar on environmentalism and wishes to act responsibly in this area. Which action will best accomplish this purpose?
A : Looking into leasing a LEED-certified space
B : Reducing product prices
C : Eliminating undesirable processing odors
D : Increasing service to customers

Correct Answer : A

62 : U.S. government assistance is available to lead the entrepreneur in compliance with environmental law through the
A : Small Business Administration.
B : Department of Energy.
C : Department of Commerce.
D : Department of the Interior.

Correct Answer : A

63 : Refusing to pay a bribe even though it is a common practice in the country one is doing business in is an example of
A : cultural relativism.
B : social entrepreneurship.
C : integrity.
D : sustainability.

Correct Answer : C

MATCHING

64 : Match the term with its definition.

A : The belief that ethical standards are subject to local interpretation	A : code of ethics
B : A company's ethical obligations to the community	B : environmentalism
C : Beliefs that provide a foundation for ethical behavior in an individual or a firm	C : ethical imperialism
D : The belief that the ethical standards of one's own country can be applied universally	D : ethical relativism
E : A general sense of honesty and reliability that is expressed in a strong commitment to doing the right thing, regardless of the circumstances	E : integrity
F : Individuals or groups that either can affect or are affected by the performance of the company	F : intellectual property
G : The effort to protect and preserve the environment	G : social entrepreneurship
H : Original intellectual creations, including inventions, literary creations, and works of art, that are protected by patents, copyrights, trademarks, design rights, and trade secrets	H : social responsibilities
I : A profitable company that responds to customers' needs while showing reasonable concern for the environment	I : stakeholders
J : Formally established standards of employee behavior communicated by a business owner	J : sustainable small business
	K : underlying values

Correct Answer :
A : D

B : H

C : K

D : C

E : E

F : I

G : B

H : F

I : J

J : A

FILL IN THE BLANK

65 : Millicent, founder of a small company that markets baked goods made from organic ingredients, emphasis honesty in all transactions. In this respect, Millicent acts with _____.

Correct Answer : integrity

66 : Among the many _____ of any small business are owners, customers, employees, the community, and the government.

Correct Answer : stakeholders

67 : A recent Ethics Resource Center survey indicated that employees witness various forms of misconduct in their workplaces, with the most frequently observed offenses involving _____ and _____.

Correct Answer : abusive behavior; lying to employees

68 : Owners, customers, and employees are considered to be the _____ of a business.

Correct Answer : primary stakeholders

69 : Milton Friedman believed the only _____ of a business is to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game.

Correct Answer : social responsibility

70 : Salespeople often must walk a fine line between _____ and _____.

Correct Answer : persuasion; deception

71 : Malcolm creates a positive work environment and rewards his employees generously for their contributions. Malcolm is exercising integrity by _____ his employees.

Correct Answer : valuing

72 : Rhoda, the bookkeeper for a small company, has been diverting company funds into her personal bank account. Rhoda is engaging in _____.

Correct Answer : embezzlement

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73 : Tyrone gives 1 percent of the profits of his company to local organizations like the Little League and the Boys and Girls Club. In this way, Tyrone is fulfilling his _____.

Correct Answer : social responsibilities

74 : Entrepreneurs should think carefully about their community commitments, because building a business on a foundation of "doing good" may add to a small company's _____.

Correct Answer : financial burden

75 : Ralph has vending machines on his business property for the convenience of his employees. He reports on his income tax form only half the cash collected by these machines. The rest is hidden in Ralph's personal account. This practice is an example of _____.

Correct Answer : skimming

76 : Sometimes Vincent doesn't have enough cash on hand to send in the monthly taxes withheld from his employees' paychecks. This could be the result of a single-minded focus on production or because of a casual _____.

Correct Answer : accounting system

77 : Widespread use of the Internet has focused attention on the issue of protecting _____.

Correct Answer : intellectual property

78 : William wants everyone to think his business is growing faster than it actually is so he built an impressive website with an exaggerated company history. His efforts to mislead are known as _____.

Correct Answer : legitimacy lies

79 : Entrepreneurs would do well to remember that customers who have questions about the _____ (products, representatives, and the organization) are less likely to make purchases.

Correct Answer : PRO factors

80 : Richard believes the United States is the greatest nation on earth and that all other countries should subscribe to our system of democracy and human rights. Therefore, he expects his overseas sales representatives to follow American business practices. This is an example of _____.

Correct Answer : ethical imperialism

81 : Carlos understands that cultures develop different standards and practices that govern how business is conducted. He is careful to observe local customs when he interacts with foreign companies. Carlos is practicing _____.

Correct Answer : ethical relativism

82 : Franco treats his customers with respect. He is always truthful, even if it means losing a sale. He uses high-quality materials and careful craftsmanship. If he can't meet a customer's deadline, he says so. His customers appreciate his integrity, which has helped to build _____ between them and Franco.

Correct Answer : trust

83 : When her employees review a situation, they sometimes ask themselves, "What would Marcella do in this situation?" They know her _____ provide a foundation for ethical behavior and serve as a guide for their own decisions.

Correct Answer : underlying values

84 : As her business grew, Gretchen could not spend as much time individually with her employees. She wanted to make sure her values and beliefs permeated the entire organization, so she prepared a _____ for distribution to all her employees so everyone could follow the same guiding principles.

Correct Answer : code of ethics

85 : The purpose of _____ is to promote ethical conduct on the part of all businesses in a region.

Correct Answer : Better Business Bureaus

86 : Rotary Club International calls on its members to ask the following four questions when they prepare to make a decision about the things they think, say, or do:?1. Is it the _____?2. Is it _____ to all concerned?3. Will it build _____ and better friendships?4. Will it be _____ to all concerned?

Correct Answer : truth; fair; goodwill; beneficial

87 : The triple bottom line sought by the social entrepreneur includes three outcomes of interest: people, profits, and the _____.

Correct Answer : planet

88 : Waverly Corporation ensures the temperature of water released back into the river is the same temperature as water drawn from the river for its production needs. It does the same for its exhausted air. Its products are made with a minimal environmental impact and it has won many awards in its industry. Waverly Corporation is an example of a(n) _____.

Correct Answer : sustainable small business

89 : PQR Company promotes its practice of using only recycled and recyclable materials in its products. In the customer waiting area, recycle bins are available for plastic, glass, and aluminum drink containers. PQR is committed to the cause of _____, an effort to protect and preserve the environment.

Correct Answer : environmentalism

90 : The philosopher Immanuel Kant introduced the so-called _____, a sophisticated way of asking, "How would it be if everyone decided to do what you intend to do?"

Correct Answer : categorical imperative

91 : Small businesses are learning that sustainable business practices can hold down _____, attract _____, and generate value for _____.

Correct Answer : costs; customers; shareholders (or owners, investors, stockholders)

ESSAY

92 : How can integrity and financial success be related? Use an example to strengthen the argument.

Correct Answer : A successful entrepreneur seeks financially rewarding opportunities while creating value, first and foremost, for prospective customers and the firm's owners. This perspective makes clear that relationships are critical and integrity is essential to success. Financial gain is important, but it should not be the only goal. Acting with integrity requires that an individual first consider the welfare of others. Fortunately, many small business owners strive to live up to the highest standards of honesty, fairness, and respect in their business relationships. Most entrepreneurs and other business leaders are people of principle, whose integrity regulates their quest for profits.Student examples will vary.

93 : Explain how integrity applies to various stakeholder groups, including owners, customers, employees, the community, and the government.

Correct Answer : When it comes to ethical behavior, small business owners guided by integrity must consider the interests of several different groups when making decisions. These groups include owners (or stockholders), customers, employees, the community, and the government, among others. Many businesses, even small ones, have more than one owner. When this is the case, high standards of integrity require an honest attempt to promote the interests of all the owners, which include a commitment to financial performance and protection of the firm's reputation. Though entrepreneurs should be able to make their own decisions about personal matters, they have an obligation to make choices that protect the financial investment of other owners in the company. Customers are obviously central to the purpose of any firm, and this has implications for business integrity. Owners who take customers seriously and care about them as individuals are apt to have more of them—and those customers are likely to return often. A firm's integrity is also expressed by the value it places on employees. Through management decisions, an owner affects employees' personal and family lives. Issues of fairness, honesty, and impartiality are inherent in decisions and practices regarding hiring, promotions, salary increases, dismissals, layoffs, and work assignments. Employees are also concerned about privacy, safety, and health issues, and these should not be ignored. Many entrepreneurs recognize the importance of looking after the needs of their employees, creating a positive work environment, and rewarding them generously for their contributions. According to recent research, when employees feel that they are valued and socially connected at work, they tend to be highly engaged and much more productive. Employees who are loyal to the business naturally devote themselves to their work, which leads to high-quality service, very loyal customers, and, ultimately, increased profits. Lapses in integrity are passed down from superiors to subordinates, replicating like a life-threatening virus that spreads throughout the organization. As this influence expands, employees of small firms may face pressure from various sources to act in ways that conflict with their own sense of what is right and wrong. Such situations are guaranteed to spawn an organizational culture that erodes integrity. An ethical business also acts as a good citizen in its community. These broader obligations of citizenship are called social responsibilities. Companies have increasingly shown commitment to the communities where they do business. Their contribution starts with creating jobs and adding to local tax revenues, but many entrepreneurs feel a duty to give back even more to the community in return for the local support they enjoy—and they usually benefit from increased goodwill as a result. Building a business on a foundation of "doing good" results in increased loyalty from customers and employees who buy into the mission, which leads to improved productivity and morale. It also sets a company apart from competitors that offer similar products or services but make no charitable contributions. Perhaps most important, this commitment is often rewarded by customers in two ways—repeat sales and a willingness to pay

a little more for what they get.

94 : What are legitimacy lies? What effect may these have on a business?

Correct Answer : Because startups do not have a history and a reputation to lean on when trying to sell customers on their new product or service or to impress other important stakeholders, entrepreneurs often are uniquely tempted to resort to telling what some researchers call legitimacy lies. That is, they sometimes misrepresent the facts or create false impressions to mislead others intentionally and earn their confidence. Telling legitimacy lies threatens the reputation of the business and the trust that goes along with it. If (when) the truth is revealed, future sales or support could very well be compromised. It would be better—and much more honest—to understand the factors that move customers to have confidence in a purchase and to provide truthful information.

95 : Discuss the relationship between profits and social responsibility in the small firm.

Correct Answer : Research suggests that entrepreneurs who head small, growth-oriented companies may be more narrowly focused on profits and therefore less socially sensitive than CEOs of large corporations. With simple survival as the most pressing priority, many small firms see social responsibility as a luxury they simply cannot afford. Earning a profit is absolutely essential, after all, and meeting the expectations of society can be expensive. But small business philanthropy often takes place anyway, only in the form of personal contributions by business owners. Fortunately, many types of socially responsible actions can be consistent with a firm's long-term profit objective. A National Federation of Independent Business study found that 91 percent of small businesses made contributions to their communities through volunteering, in-kind assistance, and/or direct cash donations. The same study reported 74 percent of all small business owners volunteered for community and charitable activities, and the average commitment was just over 12 hours per month. Overall, the evidence on performance impact is far from certain, but it suggests that taking social responsibilities seriously may very well be good for business.

96 : Describe the five fundamental principles that an ethics policy should address.

Correct Answer : In their highly influential book The Power of Ethical Management, Kenneth Blanchard and Norman Vincent Peale offer insights to guide the development of an ethics policy. They suggest that the policy be based on the following five fundamental principles:Purpose. The vision for the company and its core values should guide business conduct.Pride. When employees take pride in their work and their company, they are much more likely to be ethical in their dealings.Patience. Pushing others too hard for short-term results may cause unethical actions sooner or later as it will seem to be the only way to achieve those outcomes.Persistence. People should stand by their word, as it is the foundation of trust. If the company is not committed to an ethical framework, personal integrity is at risk, as is the reputation of the company.Perspective. Stopping from time to time to reflect on where the business is going, why it is going that way, and how to plan to get there will allow more confidence that the company is on the right track now and will continue to be in the future.

97 : List the six-step decision making process in order and comment on each of the steps in resolving ethical issues.

Correct Answer : Step 1: Define the problem. How one defines the problem will guide where one looks for the solutions. Looking for the root of the problem is the best place to start in the search for a solution to a challenging ethical problem.Step 2: Identify alternative solutions to the problem. Be open-minded, and consider creative alternatives rather than just the most obvious

solution or one that has been used in the past.Step 3: Evaluate the identified alternatives. Perhaps the most widely recommended principle for ethical behavior is simply to follow the Golden Rule: "Treat others as you would want to be treated." Following this principle can be a very practical way for an entrepreneur to evaluate ethical decisions and guard his or her integrity.Step 4: Make the decision. Choose the "best" ethical response based on an evaluation of all possible alternatives, always keeping the vision and core values firmly in mind.Step 5: Implement the decision. Entrepreneurs sometimes put off responding to ethical challenges, but avoiding action on the decision may allow a small problem to grow into a major crisis.Step 6: Evaluate the decision. Has the situation improved, gotten worse, or stayed about the same? Has the solution created ethical issues of its own? Has information come to light indicating that the decision was not the most ethical course of action? The matter may need to be reopened to make things right.

98 : Using examples, discuss how environmentalism can have both a positive and negative impact on different companies.

Correct Answer : Many small business owners are committed to the cause of environmentalism, and in many cases, this emphasis makes sound financial sense. For example, companies can actually save money by buying or leasing LEED-certified buildings, a stamp of approval granted only to those facilities that have been built to strict standards promoting energy and water conservation, reduced CO2 emissions, and improved indoor air quality. Though more expensive to construct, such buildings can decrease energy costs from operations by as much as 20 percent, and healthier workplace environments improve employee productivity, reduce illness and absences, improve recruitment, and raise retention—all of which can create a net savings for the company. However, some firms are very adversely affected by new environmental protection laws. Businesses such as fast lube and oil change centers, medical waste disposal operations, and self-service car washes have been especially hard hit by these expanding regulations. The costs can be punishing, forcing many struggling firms, especially those with limited resources and older equipment that may need to be upgraded, to close.

99 : Describe PRO factors and how these factors relate to customers.

Correct Answer : Research has shown that customers are less likely to decide to purchase if they have significant questions about the product or service that the new venture is offering, about those who represent and/or run the business, and about the organization itself. These features are called PRO factors—Products, Representatives, and the Organization—to emphasize that they can promote firm performance when customers are satisfied with them. The concerns of customers include the following:Will the product (or service) serve my needs better than alternatives, and will it be a hassle to change from the brand I currently buy?Do the company's representatives know what they are talking about, and will they (can they) live up to their assurances?Will the organization still be around to stand behind its product or service if I have a problem with it six months from now?These are all reasonable concerns, and it is important that the new venture find a way to address them.

100 : Discuss the issues related to Internet usage and personal privacy from both a business perspective and an employee and a customer standpoint. What should a small business do to decrease conflict?

Correct Answer : The issues center around privacy and monitoring usage. Businesses and consumers often disagree about how private the identity of visitors to websites should be. For example, businesses can use cookies (digital "ID tags") to collect data on consumers' buying habits related to a particular Internet address. In this way, a business can create a detailed profile of customers, which it may then sell to media-buying companies and other interested groups. While the collection of personal information may allow a business to create a more

personalized shopping experience and offer convenience to the buyer, it also opens the door to potential misuse of data. To minimize customer concerns, a company must be honest and transparent with customers about its practices and draft a privacy policy that conforms to the guidelines provided by organizations like the Better Business Bureau or through consultation with an attorney. Privacy issues concern more than just online companies. The extent to which an employer may monitor an employee's Internet activity is also hotly debated. Many workers believe it is inappropriate for employers to monitor their e-mail, a practice they consider to be an invasion of privacy. Employers, on the other hand, are concerned that employees may be engaging in "cyberslacking" at the office—that is, wasting company time dealing with personal e-mail, shopping online, and surfing the Internet. Many employers are convinced such activity hinders workplace productivity and thus are taking steps to do something about it. An increasing number of small businesses are installing software to monitor Internet use. Companies that choose to do this should be sure to develop a carefully worded and legally sound policy first, and then ensure that all employees are aware of it. Those choosing to take an even more cautious approach have employees sign a monitoring consent form when they are first hired. Taking such measures is very practical—it helps head off costly legal challenges—and it also communicates the firm's respect for its employees and its sound commitment to high standards of integrity.

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