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CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

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

1) The acceptability of behavior of a business rests solely with the business itself.
   - ◎ true
   - ◎ false

2) An ethical issue is an identifiable problem, situation, or opportunity that requires a person or organization to choose from among several actions that may be evaluated as ethical or unethical.
   - ◎ true
   - ◎ false

3) When it comes to ethical behavior, co-workers and superiors exert significant control over one's choices at work through authority and example.
   - ◎ true
   - ◎ false

4) There is a movement toward cultural- or integrity-based initiatives that make ethics a part of core organizational values.
   - ◎ true
   - ◎ false

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5) Corporate citizenship is defined as the ways a company interacts with its community.
   - ◎ true
   - ◎ false

6) The concept of social responsibility is universally accepted.
   - ◎ true
   - ◎ false

7) Diversity with respect to business ethics relates to the product mix within a certain category.
   - ◎ true
   - ◎ false

8) A business must choose to be either profitable or socially responsible; they cannot be both.
   - ◎ true
   - ◎ false

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

9) The principles and standards that determine acceptable conduct in business organizations are referred to as
   A) social responsibility.
   B) business strategies.
   C) business ethics.
   D) business stances.
   E) corporate citizenship.

10) Which scenario *best* exemplifies a company with a strong ethical culture?
   A) The top management at Dorthea's company clearly communicates to all employees the ethical behavior expected of them.
   B) Ben reports to two different supervisors—one who follows the company's ethics policy and one who makes exceptions to the rules. Ben is not sure who to follow.
   C) Since the top management at Claire's company feels they only hire ethical employees, they do not see the need for a formal, written ethics policy.
   D) The middle-level managers at Betsy's company do not get direction from top management regarding ethical behavior, but they all try to do what is right.
   E) Cho follows the lead of her immediate supervisor; if he bends the rules, she feels that she can do the same.

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11) Which statement about business ethics and social responsibility is the most accurate?
   A) All actions deemed unethical by society are also illegal.
   B) The concerns of what is legal and ethical do not change over time.
   C) The terms social responsibility and ethics should may be used interchangeably.
   D) Companies can be both profitable and socially responsible.
   E) Businesses whose sole objective is to earn profit are also likely to consider their social responsibility.

12) A local landscaping company donates and plants a tree in the community for every new client that uses its landscaping design services. This exhibits the company's
   A) business ethics.
   B) profitability.
   C) business responsibility.
   D) irresponsibility.
   E) social responsibility.

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13) The term social _____ refers to a business's obligation to maximize its positive impact and minimize its negative impact on society.
A) citizenship
B) strategy
C) ethics
D) responsibility
E) philanthropy

14) Lovely Landscaping is well-received by the community in which it operates. Every year it hosts a charity fundraiser to support local charities, and its employees regularly volunteer within the community. The company is committed to using sustainable manufacturing processes. The actions taken by Lovely Landscaping *best* exemplify
A) consumerism.
B) entrepreneurship.
C) legal responsibility.
D) social responsibility.
E) business ethics.

15) How do the terms business ethics and social responsibility differ from each other?
A) Business ethics concerns the impact of the entire business's activities on society, whereas social responsibility relates to an individual's decisions that society evaluates as right or wrong.
B) Business ethics concerns the impact of the entire business's activities on society, whereas social responsibility relates to a work group's decisions that society evaluates as right or wrong.
C) Business ethics relates to an individual's or a work group's decisions that society evaluates as right or wrong, whereas social responsibility concerns the impact of the entire business's activities on society.
D) Business ethics and social responsibility can be used interchangeably because they mean the same thing.
E) Business ethics is a broader concept, whereas social responsibility is a narrower concept.

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16) Which law codified basic ethical obligations for companies by reforming the financial industry and offering consumers protection against complex and/or deceptive financial products?
A) the Glass-Steagall Act
B) the Dodd-Frank Act
C) the Sarbanes-Oxley Act
D) the Clayton Act
E) the Celler-Kefauver Act

17) Most _____ issues arise as choices that society deems unethical, irresponsible, or otherwise unacceptable.
A) legal
B) profitable
C) employee
D) management
E) corporate

18) Business ethics, social responsibility, and laws together act as a _____ system, requiring that businesses and employees act responsibly in society.
A) business
B) compliance
C) regulatory
D) social
E) consumer

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19) In ride-sharing companies like Uber and Lyft, regulations have
A) resulted in the companies being celebrated for their ethical behavior.
B) not kept them from being successful and respected.
C) been inadequate and ambiguous.
D) managed to keep up with a new business model.
E) evolved as needed to protect these companies from lawsuits.

20) Russia was implicated in a doping scandal with its athletes that resulted in a 4-year suspension from the Olympics. This illustrates how there is/are sometimes _____ in sports as well as business.
A) law breaking
B) management disputes
C) social issues
D) ethical misconduct
E) regulatory breaks

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21) Recently, _____ became the number-one consumer complaint with the Federal Trade Commission.
A) product recalls
B) securities fraud
C) corporate fraud
D) deceptive financial products
E) identity theft

22) One of the most difficult things for a business to restore after an ethics scandal is/are
A) regulations.
B) ethics training programs.
C) trust.
D) codes of conduct.
E) morale.

23) Which statement about how the mass media reports on the ethical conduct of businesses is true?
A) The mass media focus equally on misconduct and good ethical conduct.
B) The mass media focus more on misconduct than good ethical conduct.
C) The mass media focus more on good ethical conduct than misconduct.
D) The mass media rarely report on the ethical conduct of businesses.
E) The mass media support businesses by giving the public the impression that misconduct is not widespread.

24) Beulor Industries decided to buy less expensive materials from a foreign supplier that resulted in a significant reduction in the quality of its product. As a result, company sales dropped, many retailers refused to carry the product, and consumers left negative reviews online about the product. This is an example of
A) why the most expensive products must always be used in the production process.
B) a company being unethical but socially responsible.
C) how negative judgments can affect an organization's ability to achieve its goals.
D) ethical misconduct by the foreign supplier.
E) legal misconduct by Beulor Industries.

25) Which statement is true of business ethics?
A) Ethical issues are not limited to for-profit organizations.
B) Business ethics does not extend beyond legal issues.
C) Ethical conduct does not have any impact on business relationships.
D) Ethical conflicts never evolve into legal disputes.
E) Ethical issues are not affected by social perceptions.

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26) After a major horse race, it was discovered that the winner had drugged his horse to make it run slower so he could bet against it. Even though there was not a specific rule against this particular drug, the horse's trainer was banned from the racing industry. This exemplifies how
   A) negative judgment directly affects an organization's ability to achieve its business goals.
   B) unfair society can be in making ethical judgments.
   C) ethics can be blown out of proportion.
   D) important social responsibility is.
   E) easily ethical issues can be resolved.

27) What is a key step in evaluating ethical decisions in business?
   A) assuming that ethical issues do not include all areas of organizational activities
   B) recognizing that social responsibility and ethics are inversely related to each other
   C) understanding that business ethics does not go beyond legal issues
   D) identifying that ethics is not culture-specific
   E) learning how to recognize and resolve ethical issues

28) David notices that one of his colleagues takes office supplies home with him. In deciding whether or not to report this behavior, what must he do first?
   A) confront the colleague about the situation
   B) discuss the situation with other colleagues
   C) ask his wife what she thinks
   D) know his company's policy regarding his colleague's behavior
   E) discuss the situation hypothetically with his manager

29) When the district manager found out that the sales rep was selling company property and keeping the money, she hesitated to report him because she knew he was having financial problems as a result of a medical condition, and he would likely be fired. As a result, she couldn't decide what to do. The manager is struggling with
   A) a social responsibility.
   B) a decision tree.
   C) a management standard.
   D) an employee rule.
   E) an ethical issue.

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30) When employees shifted to working from home during the COVID-19 pandemic, it created a problem for companies with respect to misconduct. What was the problem?
   A) Employees didn't have access to human resources to report violations.
   B) Employees were exposed to ethical misconduct outside the organization that they wouldn't have otherwise known about.
   C) Employees spent more time volunteering and less time working.
   D) Employees had more time to watch the media report on ethical misconduct by businesspeople and lost trust in their organization.
   E) Companies couldn't monitor employee misconduct.

31) _____ are payments, gifts, or special favors intended to influence the outcome of a decision.
   A) Bribes
   B) Tax incentives
   C) Stipends
   D) Grants
   E) Recompenses

32) Jancy and Craig are competing for a promotion. Hoping to sway her manager to promote her over Craig, Jancy gives her manager an expensive bottle of wine. This is an example of
   A) the misuse of company resources.
   B) bribery.
   C) dishonesty.
   D) conflict of interest.
   E) an acceptable gift.

33) In the United States, the _____ imposes heavy penalties on companies found guilty of bribing foreign government officials.
   A) Foreign Corrupt Practices Act
   B) Hatch Act
   C) Ethics in Government Act
   D) Dodd-Frank Act
   E) Securities Exchange Act

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34) Patricia is a pharmaceutical sales rep who used to be able to bring her customers free stuff to promote her products. How has this changed?
A) She is no longer allowed to give customers incentives
B) She is still allowed to give incentives but they must total less than $100 per physician.
C) She can still give incentives, but the company must now report all incentives on a government website.
D) Providing meals, in particular, is no longer allowed.
E) She may still give incentives as long as it isn't publicized.

35) What is true of misusing company time?
A) Theft of time is not a common area of misconduct observed in the workplace.
B) Time theft costs can be difficult to measure but are estimated to cost companies hundreds of billions of dollars annually.
C) The average employee "steals" 10 hours a week with late arrivals, leaving early, and long lunch breaks.
D) The average employee doesn't misuse company time often enough to negatively affect productivity.
E) Time theft costs are easy to measure and do not cost companies very much money.

36) Abusive behavior is difficult to assess and manage because
A) top management usually refuses to address the problem.
B) most employees accept this form of behavior as no big deal.
C) employees generally do not follow codes of ethics.
D) diverse cultures and lifestyles make some behaviors acceptable to some but not others.
E) it often leads to higher levels of unemployment.

37) Frederik speaks fluent Spanish, and English is his second language. When communicating with his colleagues, he uses words that are normal in his language, but they consider them inappropriate. What should be considered in determining if the language is abusive?
A) gender
B) position
C) intent
D) frequency
E) lifestyle

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38) Which act is associated with bullying?
A) buying or selling of stocks by insiders
B) harassment
C) lobbying for or against someone
D) mediating as a third party
E) offering bribes

39) Alan had a habit of belittling his colleagues' contributions in meetings and criticizing their work. This is a form of
A) conflict of interest.
B) bribery.
C) motivating.
D) ethics violations.
E) bullying.

40) What is true of bullying?
A) Surveys reveal that bullying in the workplace is less frequent.
B) Bullying only refers to verbal language; nonverbal expressions are not bullying.
C) Flaunting status or authority to take advantage of others does not amount to the act of bullying.
D) Although sexual harassment has legal recourse, bullying has little legal recourse at this time.
E) Insider trading is an example of bullying.

41) Mai and Will are both up for a promotion. In the meantime, Mai needs Will's help to resolve an urgent work issue. She has e-mailed and called him several times, but Will doesn't respond to any of her communications. Will's behavior is an example of
A) a conflict of interest.
B) the misuse of company time.
C) bullying.
D) the misuse of company resources.
E) dishonesty.

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42) _____ is the buying or selling of stocks by insiders who possess material that is still not public.
A) Gatekeeping
B) Whistleblowing
C) Downcycling
D) Insider trading
E) Plagiarizing

43) Physical threats, ignoring someone, yelling, and the use of profanity fall under which type of organizational misconduct?
A) conflict of interest
B) discrimination
C) abusive or intimidating behavior
D) misuse of company time
E) retaliation by employees

44) Spending an excessive amount of time on personal e-mails, submitting personal expenses on company expense reports, and using the company copier for personal use are all examples of
A) the misuse of company time.
B) conflicts of interest.
C) abusive behavior.
D) the misuse of company resources.
E) the pressure to compromise standards.

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45) When Rita used her company credit card to buy $10,000 worth of new furniture for her house, she was fired. Which type of misconduct does this exemplify?
A) conflict of interest
B) misuse of company resources
C) misuse of company time
D) abusive behavior
E) bribery

46) Which organization has developed a Corruption Perceptions Index that ranks countries based on their level of corruption?
A) Financial Executives International
B) Texas Instruments
C) National Business Ethics International
D) ORC International
E) Transparency International

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47) Which country is highest on the list of *least* corrupt countries?
A) Denmark
B) Hong Kong
C) Ireland
D) South Sudan
E) Yemen

48) Lilly, a manager, makes decisions that benefit her financially at the expense of her firm. This is an example of which ethical issue in business?
A) bullying
B) bribery
C) conflict of interest
D) intimidating behavior
E) misuse of company time

49) The fact that businesspersons are expected to not harm customers, clients, or competitors knowingly through deception, misrepresentation, coercion, or discrimination is part of the practice of
A) business relationships.
B) communications.
C) conflict of interest.
D) fairness and honesty.
E) consumerism.

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50) A hairdryer manufacturer produced a new model that could dry a person's hair in under five minutes. When customers used this hairdryer and experienced scalp and hand burns, the manufacturer was required to create and enforce detailed plans to prevent future burns. This example relates to
A) fairness and honesty.
B) competition.
C) obeying laws and regulations.
D) intimidating behavior.
E) business relationships.

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51) The European Commission investigated Google to determine whether it promoted its own search results over those of other search engines in spite of their relevance. The aspect of fairness at issue here is
A) conflict of interest.
B) communications.
C) competition.
D) dishonesty.
E) disclosure of potential harm.

52) In the realm of business ethics, when automobile companies fail to issue recalls in a timely manner, this is an matter related to what area in which ethical concerns arise?
A) conflict of interest
B) communications
C) product design
D) business relationships
E) financing

53) Which scenario illustrates plagiarism?
A) Nasser came up with a new training method, but his boss Baxter claimed the idea as his own.
B) Nero bought some company stock based on inside information about the latest sales figures.
C) Taliyah used company financial data from the previous year in her presentation to stockholders.
D) Seth tells the other managers what he pays each of his employees.
E) Laurie shows the company's new ad campaign to her best client.

54) _____ involves taking someone else's work and presenting it as your own.
A) Conflict of interest
B) Creativity
C) Inspiration
D) Bribery
E) Plagiarism

55) The warning on cigarette packages about the health implications of smoking is an example of
A) conflict of interest.
B) fairness and honesty.
C) communications.
D) relationships within a business.
E) environmental issues.

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56) Which behavior is an example of ethical consideration within the purview of business relationships?
A) keeping company secrets
B) communicating with customers
C) whistleblowing
D) obeying environmental laws
E) donating to local charities

57) If a manager pressures a subordinate to engage in activities that he or she may otherwise view as unethical, it would be an ethical issue related to
A) plagiarism.
B) business relationships.
C) communications.
D) fairness and honesty.
E) conflicts of interest.

58) Which action indicates that a person has begun the process of resolving an ethical issue?
A) deciding not to discuss what he or she is doing with co-workers or superiors
B) recognizing the ethical issue and openly discussing it with others
C) ignoring the ethical issue until it goes away
D) making decisions without recognizing the embedded ethical issue
E) recognizing the ethical issue and keeping it secret

59) The three key factors that influence ethical decisions in an organization are: individual moral standards, the influence of managers and co-workers, and
A) individual religious values.
B) informal ethical policies or rules.
C) the opportunity to engage in misconduct.
D) family influence.
E) ethical values of clients.

60) Vance's boss often goes on Facebook at work. As a result, the rest of his team goes on Facebook as well. This is an example of which factor of influence regarding ethical behavior?
A) individual moral standards
B) opportunity for misconduct
C) the influence of co-workers
D) the influence of managers
E) personal ethic.

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61) Kyle's company does not have established rules and policies on ethics. It is a small, independent company that depends on its employees to use their own judgment. This structure can lead to
A) opportunity for misconduct.
B) conflicts of interest.
C) better co-worker relationships.
D) similar behavior across co-workers.
E) pressure to act unethically.

62) What is true of professional codes of ethics?
A) They are informal rules of ethics followed by employees.
B) They do not have to provide any guidelines and principles.
C) They do not have to be too detailed.
D) They should only be developed by the board of directors of a firm.
E) They should take into account every ethical situation possible.

63) A set of formalized rules and standards that describes what a company expects of its employees is called a
A) mission statement.
B) code of liability.
C) moral philosophy.
D) social responsibility statement.
E) code of ethics.

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64) Codes of ethics, policies on ethics, and ethics training programs advance ethical behavior because they
A) do not limit the opportunity for misconduct.
B) result in expensive litigation.
C) infringe on consumers' rights to be informed.
D) prescribe which activities are acceptable and which are not.
E) are strictly voluntary in nature.

65) According to the Global Business Ethics Survey, employees in organizations that have written codes of conduct and ethics training, ethics offices or hotlines, and systems for reporting are more likely to
A) ignore misconduct when they see it.
B) find clever ways to hide their misconduct.
C) report misconduct when they observe it.
D) deal with misconduct on their own.
E) assume that no misconduct exists in their organizations.

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66) Codes of ethics foster ethical behavior by
A) highlighting the religious implications of behaving in an unethical manner.
B) limiting the opportunity to behave unethically by providing punishments for violations of the rules and standards.
C) making the employees understand that they should use their own judgment to determine if an action is ethical.
D) pointing out to the employees that ethical behaviors are subjective and are dependent on social perceptions.
E) encouraging employees to be more competitive and profit-oriented.

67) Korane just took a job as a financial advisor with a large firm. He wants to make sure that all of his business dealings are ethical. What will guide him on any gray or ambiguous area he may face at his new job?
A) a detailed mission statement
B) a sustainability statement
C) a code of ethics
D) a code of liability
E) a personal moral statement

68) What is a reason why a code of ethics is important?
A) It alerts employees about important issues and risks to address.
B) It provides an individual approach to dealing with ethical decisions.
C) It serves as an internal document, which is not shared with the public, suppliers, or regulatory authorities.
D) It negates the need to have systems for reporting or places to go for advice when facing an ethical issue.
E) It negates the need to evaluate and improve ethical decision making.

69) According to the Global Business Ethics Survey (NBES), _____ is the greatest determinant of future misconduct.
A) a company's workforce
B) the external environment
C) the universal business overview
D) a company's ethical culture
E) a company's stakeholders

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70) _____ is the act of an employee exposing an employer's wrongdoing to outsiders.
A) Fraud
B) Whistleblowing
C) Corporate citizenship
D) Arbitration
E) Gatekeeping

71) What is true of the Dodd-Frank Act passed by the U.S. Congress in 2010?
A) It is an act that rewards organizations that follow high standards of business ethics.
B) It punishes business organizations that are involved in unethical practices.
C) It protects the rights of foreign businesses operating in the United States.
D) It provides monetary rewards to those organizations that take action against employees involved in professional misconduct.
E) It encourages whistleblowers to provide information about corporate misconduct through monetary rewards.

72) Being profitable relates to the _____ stage dimension of social responsibility.
A) corporate citizenship
B) voluntary
C) ethical
D) legal
E) economic

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73) _____ is the extent to which businesses meet the legal, ethical, economic, and voluntary responsibilities placed on them by their various stakeholders.
A) Ethical well-being
B) Social responsibility
C) Virtual sustainability
D) Consumer relations
E) Corporate citizenship

74) What involves the activities and organizational processes adopted by businesses to meet their social responsibilities?
A) business ethics
B) corporate citizenship
C) sustainability
D) social dominance
E) ethical initiative

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75) A company committed to corporate citizenship might be engaged in
A) the development of a new website.
B) dumping hazardous waste on land rather than in waterways.
C) the expansion of the company's social media presence.
D) fundraising for a political candidate.
E) sustainable manufacturing processes.

76) Which of these is a stage of social responsibility?
A) political
B) philosophical
C) mechanical
D) rational
E) ethical

77) Meister Corporation created its own continuing education program that offers eligible employees full tuition to pursue continuing education related to their roles at the company. It also created a scholarship program to help employees send their children to college. These programs exemplify the company's
A) ethics, principles, and values.
B) financial viability.
C) compliance with legal and regulatory requirements.
D) corporate citizenship.
E) philanthropic activities.

78) Being a "good corporate citizen" is an example of the _____ dimension of social responsibility.
A) puritanical
B) economic
C) legal
D) ethical
E) voluntary

79) Philanthropic contributions made by a business to a charitable organization represent the _____ dimension of social responsibility.
A) corporate citizenship
B) economic
C) legal
D) ethical
E) voluntary

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80) What is an argument that supports social responsibility?
- A) Business may not have the expertise needed to assess and make decisions about social and economic issues.
- B) The responsibility of business to society is to earn profits and create jobs.
- C) As members of society, businesses and their employees should support society through taxes and contributions to social causes.
- D) Participation in social programs gives businesses greater power, perhaps at the expense of concerned stakeholders.
- E) Social problems are the responsibility of the government agencies and officials who can be held accountable by voters.

81) Studies have found a direct relationship between social responsibility and _____ in business.
- A) profitability
- B) innovation
- C) declining stock prices
- D) happiness of stakeholders
- E) global warming

82) Businesses must first be responsible to their _____, who are primarily concerned with earning a profit.
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- A) clients
- B) vendors
- C) top managers
- D) owners
- E) employees

83) What has research shown regarding the relationship between social responsibility and profitability?
- A) Social responsibility has no effect on business performance.
- B) An emphasis on social responsibility reduces business performance.
- C) Social responsibility initiatives reduce both business performance and profitability.
- D) Social responsibility is linked to improved business performance.
- E) An emphasis on social responsibility neither improves nor diminishes profitability.

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84) What is a major hindrance of any firm trying to increase profits?
A) a lack of employee commitment
B) a large target market
C) efficient production methods
D) economies of scale
E) ongoing relationship with owners and stockholders

85) Laws regarding workplace safety are enforced by the
A) Federal Trade Commission.
B) Occupational Safety and Health Administration.
C) Environmental Protection Agency.
D) Consumer Bill of Rights.
E) Corrupt Practices Act.

86) _____ is defined as the activities that individuals, groups, and organizations undertake to protect their rights as customers.
A) Consumerism
B) Sustainability
C) Protectionism
D) Conspicuous consumption
E) Corporate citizenship

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87) Employees expect businesses to
A) move completely to telecommuting.
B) respect their rights as consumers.
C) protect their investments.
D) keep them informed of what is happening in the company.
E) run the company without their input.

88) The right to _____ in the consumer bill of rights means that a business must not knowingly sell anything that could result in personal injury or harm to consumers.
A) assert
B) information
C) safety
D) selection
E) be heard

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89) The right to choose in the consumer bill of rights ensures that
A) consumers' interests will receive full and sympathetic consideration when the government formulates policy.
B) consumers do not have to pay service taxes.
C) consumers enjoy fair treatment if they voice complaints about a purchased product.
D) consumers enjoy freedom to review complete information about a product before they buy it.
E) consumers have access to a variety of goods and services at competitive prices.

90) The assurance of both satisfactory quality and service at a fair price is a part of the consumer's right to
A) choose.
B) be heard.
C) be informed.
D) safety.
E) consider.

91) The right to _____ in the consumer bill of rights assures consumers that their interests will receive full and sympathetic consideration when the government formulates policy.
A) choose
B) be informed
C) consider
D) safety
E) be heard

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92) John F. Kennedy's consumer bill of rights outlined four rights: the right to be informed, the right to choose, the right to be heard, and the right to
A) file lawsuits.
B) service.
C) easy credit.
D) enter into contracts.
E) safety.

93) The right to _____ in the consumer bill of rights gives consumers the freedom to review all details about the products they wish to buy.
A) be informed
B) be heard
C) purchase
D) choose
E) speak out

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94) A food processing plant started using a new preservative in its products. However, it didn't include anywhere on its packaging that this preservative could cause an allergic reaction in people who are allergic to milk products. This is a violation of consumers' right to
A) be heard.
B) choose.
C) be informed.
D) safety.
E) be healthy.

95) What is true about the role of the Federal Trade Commission's Bureau of Consumer Protection?
A) It protects consumers against unfair, deceptive, or fraudulent practices.
B) It is divided into four divisions.
C) It protects companies from unfair consumer demands.
D) The Division of Enforcement investigates consumer violations of laws.
E) It provides monetary awards for cases that are proven fraudulent.

96) _____ emerged as a major issue in recent years in the face of increasing evidence that pollution, uncontrolled use of natural resources, and population growth were putting increasing pressure on the long-term sustainability of these resources.
A) Ethnic cleansing
B) Environmental protection
C) Global marketing
D) Consumerism
E) Whistleblowing

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97) _____ involves the interaction among nature and individuals, organizations, and business strategies and includes the assessment and improvement of business strategies, economic sectors, work practices, technologies, and lifestyles, so that they maintain the health of the natural environment.
A) Philanthropy
B) Consumerism
C) Sustainability
D) Biodiversity
E) Dualism

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98) Pollution of water and soil from activities such as oil and gas drilling is primarily related to
A) consumer relations.
B) sustainability issues.
C) community relations.
D) employee relations.
E) relations with stockholders.

99) _____ refers to attaching a positive environmental association on an unsuitable product, service, or practice.
A) Greenwashing
B) Whitewashing
C) Green marketing
D) Astroturfing
E) Conspicuous conservation

100) The fact that environmental responsibility requires trade-offs means that it
A) instigates trade relations.
B) facilitates international competition.
C) helps in generating profits.
D) imposes costs on both business and the public.
E) promotes the practice of fair trade.

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101) General Electric and its employees hold fundraising events for the United Way organization. This illustrates how a business can use _____ to improve community relations.
A) establishing codes of ethics
B) submission of environmental reports
C) obeying the law
D) recycling
E) donations to charitable organizations

102) Many businesses, recognizing that employees lack basic work skills, are becoming more concerned about the quality of _____ in the United States.
A) job opportunities
B) education
C) personal ethics
D) management
E) community relations

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103) While unemployment is often seen as an economic issue, it carries ethical implications when
A) too many people file for unemployment benefits.
B) high unemployment is coupled with a large gap between rich and poor.
C) whistleblowers cause people to lose their jobs.
D) businesses have to pay unemployment taxes.
E) the unemployment rate drops.

104) Which organization funds programs to train the hard-core unemployed so that they can find jobs and support themselves?
A) Transparency International
B) Boston Consulting Group
C) National Alliance of Businessmen
D) National Business Ethics Organization
E) British Financial Services

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

105) Choose an issue that has been prominently featured in the news and discuss the ethical implications of this issue. For example, sexual harassment of employees by their bosses, requiring employees to work in an unsafe environment during COVID-19, or unequal pay and treatment of women athletes. Define any key terms that you use in your response.

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106) An employee at United Works is considered a bully by his co-workers. Describe in detail the types of activities that constitute bullying in the workplace.

107) Mona, a regional sales manager with Water Works Corporation often shops online during her office hours. In this scenario, discuss the kind of misconduct that Mona engages in and other kinds of misconduct that take place in the workplace.

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108) Discuss why a conflict of interest is one of the most common ethical issues identified by employees and list two types of conflicts of interest.

109) Discuss why it is important for companies to have codes of ethics.

110) What are the arguments for and against social responsibility?

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Answer Key

Test name: Chapter 02

1) FALSE
The acceptability of behavior in business is determined by not only the organization, but also stakeholders such as customers, competitors, government regulators, interest groups, and the public, as well as each individual's personal principles and values.

2) TRUE
An ethical issue is an identifiable problem, situation, or opportunity that requires a person to choose from among several actions that may be evaluated as right or wrong, ethical or unethical. In business, this choice usually involves weighing monetary gain against what a person considers appropriate conduct.

3) TRUE
While you have great control over your personal ethics outside the workplace, your co-workers and superiors exert significant control over your choices at work through authority and example. In fact, the activities and examples set by co-workers, along with the rules and policies established by the firm, are critical in gaining consistent ethical compliance in an organization.

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4) TRUE
The current trend is to move away from legally based ethical initiatives in organizations to cultural- or integrity-based initiatives that make ethics a part of core organizational values. Organizations recognize that effective business ethics programs are good for business performance.

5) TRUE
Corporate citizenship is the extent to which businesses meet the legal, ethical, economic, and voluntary responsibilities placed on them by their various stakeholders. It involves the activities and organizational processes adopted by businesses to meet their social responsibilities.

6) FALSE
Although the concept of social responsibility is receiving more and more attention, it is still not universally accepted. See Table 2-9.

7) FALSE
Diversity relates to the presence of differences within an organization based on factors such as race, gender, religion, sexual orientation, ethnicity, nationality, socioeconomic status, language, abilities, age, or political beliefs.

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8) FALSE
There is much evidence that social responsibility is associated with improved business performance. Consumers are refusing to buy from businesses that receive publicity about misconduct. A number of studies have found a direct relationship between social responsibility and profitability, as well as a link that exists between employee commitment and customer loyalty—two major concerns of any firm trying to increase profits.

9) C
Business ethics is defined as the principles and standards that determine acceptable conduct in business organizations.

10) A
To truly create an ethical culture, managers must show a strong commitment to ethics and compliance. This "tone at the top" requires top managers to acknowledge their own role in supporting ethics and compliance, clearly communicate company expectations for ethical behavior to all employees, educate all managers and supervisors in the business about the company's ethics policies, and train managers and employees on what to do if an ethics crisis occurs.

11) D
Many consumers and social advocates believe that businesses should not only make a profit but also consider the social implications of their activities. Socially responsible businesses win the trust and respect of their employees, customers, and society and, in the long run, increase profits.

12) E
Social responsibility is a business's obligation to maximize its positive impact and minimize its negative impact on society. Donating and planting trees shows this company's social responsibility. Businesses should not only make a profit but also consider the social implications of their activities.

13) D
Social responsibility refers to a business's obligation to maximize its positive impact and minimize its negative impact on society.

14) D
Social responsibility refers to a business's obligation to maximize its positive impact and minimize its negative impact on society.

15) C

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Although many people use the terms social responsibility and ethics interchangeably, they do not mean the same thing. Business ethics relates to an individual's or a work group's decisions that society evaluates as right or wrong, whereas social responsibility is a broader concept that concerns the impact of the entire business's activities on society.

16) B
After the financial crisis occurred in the most recent recession, the Dodd-Frank Act was passed to reform the financial industry and offer consumers protection against complex and/or deceptive financial products.

17) A
Most legal issues arise as choices that society deems unethical, irresponsible, or otherwise unacceptable. However, all actions deemed unethical by society are not necessarily illegal, and both legal and ethical concerns change over time.

18) B
Business ethics, social responsibility, and laws together act as a compliance system, requiring that businesses and employees act responsibly in society. Business ethics can be viewed as a buffer to prevent illegal conduct as well as a positive force to develop loyal customers and employees.

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19) A
There are many ethical gray areas, which occur when a new, undetermined or ambiguous situation arises. There may be no values, codes, or laws that answer the question about appropriate action. The sharing economy with peer-to-peer relationships like Uber, Lyft, and Airbnb provide new business models where existing regulations were inadequate, ambiguous, or in some cases blocking progress. For example, Uber has been accused of price gouging, endangering riders' safety, sexual harassment, stealing secret information on self-driving cars from Google, and violating local regulations on public transportation in some countries, states, and cities.

20) D
Ethical issues are not limited to for-profit organizations either. Ethical issues include all areas of organizational activities. This illustrates ethical misconduct in sports.

21) E
Recently, identity theft has become the number-one consumer complaint with the Federal Trade Commission, and companies have an ethical responsibility to protect consumer data.

22) C

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Ethical conduct builds trust and credibility. Establishing trust and confidence is much more difficult in organizations that have reputations for acting unethically.

23) B
The mass media frequently report about firms that engage in misconduct related to bribery, fraud, and unsafe products. However, the good ethical conduct of the vast majority of firms is not reported as often. Therefore, the public often gets the impression that misconduct is more widespread than it is in reality.

24) C
Regardless of what an individual believes about a particular action, if society judges it to be unethical or wrong, whether correctly or not, that judgment directly affects the organization's ability to achieve its business goals. Ethical conduct builds trust among individuals and in business relationships, which validates and promotes confidence in business relationships. Establishing trust and confidence is much more difficult in organizations that have reputations for acting unethically.

25) A
Ethical issues are not limited to for-profit organizations; they include all areas of organizational activities. Whether made in science, politics, sports, or business, most decisions are judged as right or wrong, ethical or unethical. TBEXAM.COM

26) A
This example shows how negative judgment directly affects an organization's ability to achieve its business goals. Whether made in science, politics, sports, or business, most decisions are judged as right or wrong, ethical or unethical.

27) E
Learning how to recognize and resolve ethical issues is a key step in evaluating ethical decisions in business.

28) D
Employees need to know when to rely on their organizations' policies and codes of ethics or have discussions with co-workers or managers on appropriate conduct. Ethical decision making is not always easy because there are always gray areas that create dilemmas, no matter how decisions are made. The question of whether or not to report his colleague requires Daniel to understand his company's policy regarding his colleague's choice and decide whether to ask for guidance.

29) A

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An ethical issue is an identifiable problem, situation, or opportunity that requires a person to choose from among several actions that may be evaluated as right or wrong, ethical or unethical. Ethical decision making is not easy because there are always gray areas that create dilemmas, no matter how decisions are made.

30) E
During the COVID-19 (coronavirus) pandemic in 2020, many companies shifted to remote workforces. While the increased number of people working from home likely reduced incidences of bullying and sexual harassment, many companies were unable to effectively monitor employees to identify misconduct. As working from home becomes increasingly mainstream, companies will have to adjust their monitoring programs to better identify potential compliance violations.

31) A
Bribes are payments, gifts, or special favors intended to influence the outcome of a decision. A bribe benefits an individual or a company at the expense of other stakeholders.

32) B
This is an example of bribery. Bribes are payments, gifts, or special favors intended to influence the outcome of a decision.

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33) A
Companies that do business overseas should be aware that bribes are a significant ethical issue and are, in fact, illegal in many countries. In the United States, the Foreign Corrupt Practices Act imposes heavy penalties on companies found guilty of bribing foreign government officials.

34) A
Pharmaceutical representatives can provide these types of incentives to engage physicians but, because of conflicts of interest in the past, now must report all incentives on a government website for public access. If these type of incentives are not transparent, then there could be ethical issues.

35) B
Theft of time is a common area of misconduct observed in the workplace. The average employee steals 4.5 hours a week with late arrivals, leaving early, long lunch breaks, inappropriate sick days, excessive socializing, engaging in personal activities, and watching sports at work. These activities add up to lost productivity and profits.

36) D
Abusive behavior is difficult to assess and manage because of diversity in culture and lifestyle.

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37) C
Within the concept of abusive behavior, intent should be a consideration. If the employee was trying to convey a compliment but the comment was considered abusive, then it was probably a mistake.

38) B
Bullying is associated with a hostile workplace when a person or group is targeted and is threatened, harassed, belittled, verbally abused, or overly criticized.

39) E
Bullying is associated with a hostile workplace when a person or group is targeted and is threatened, harassed, belittled, verbally abused, or overly criticized. Bullying may create what some consider a hostile environment, a term generally associated with sexual harassment.

40) D
Although sexual harassment has legal recourse, bullying has little legal recourse at this time. Bullying is a widespread problem in the United States, and it can cause psychological damage that can result in health-endangering consequences to the target. See Table 2-3.

41) C
Failing to communicate or return communication is an example of bullying. See Table 2-3.

42) D
Insider trading is an example of a conflict of interest. It is the buying or selling of stocks by insiders who possess material that is still not public. The Justice Department has taken an aggressive stance toward insider trading.

43) C
Abusive or intimidating behavior is the most common ethical problem for employees. These concepts can mean anything from physical threats, false accusations, profanity, insults, yelling, harshness, and unreasonableness to ignoring someone or simply being annoying.

44) D
Examples of the misuse of company resources might include spending an excessive amount of time on personal e-mails, submitting personal expenses on company expense reports, or using the company copier for personal use.

45) B
Using a company credit card for personal expenses is an example of misuse of company resources. Serious resource abuse can result in firing or legal repercussions.

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46) E
Transparency International has developed a Corruption Perceptions Index.

47) A
Denmark is in a first place tie with New Zealand for the least corrupt country.

48) C
A conflict of interest occurs when an employee must choose whether to advance his or her own interests or those of the firm. If managers make decisions that give them more power or money but do not help the company, then they have a conflict of interest.

49) D
Fairness and honesty are at the heart of business ethics and relate to values of decision makers. Businesspersons obeying the law are expected not to harm customers, employees, clients, or competitors knowingly through deception, misrepresentation, coercion, or discrimination.

50) A
This example relates to fairness and honesty. Companies are expected to disclose potential harm caused by product use.

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51) C
One aspect of fairness relates to competition. Companies sometimes attempt to gain control over markets by using questionable practices that harm competition. The European Commission investigated Google to determine whether it was promoting its own search results over those of competitors in spite of their relevance.

52) B
Truthfulness about product safety and quality is also important to consumers. Takata Corporation, for example, pleaded guilty to fraud and providing false data and agreed to pay $1 billion in a settlement to victims and car manufacturers for exploding airbags.

53) A
Plagiarism is taking someone else's work and presenting it as your own without mentioning the source. When Baxter claimed Nasser's idea as his own, he committed plagiarism.

54) E
In business, the ethical issue of plagiarism arises when an employee copies reports or takes the work or ideas of others and presents it as his or her own without mentioning the source.

55) C

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An important aspect of communications regarding an ethical issue is product labeling such as the Surgeon General's warning on cigarette packages.

56) A
Ethical behavior within a business involves keeping company secrets, meeting obligations and responsibilities, and avoiding undue pressure that may force others to act unethically.

57) B
Ethical behavior within a business involves keeping company secrets, meeting obligations and responsibilities, and avoiding undue pressure that may force others to act unethically. Thus, a manager pressuring a subordinate to engage in activities that he or she may otherwise view as unethical, such as engaging in accounting fraud or stealing a competitor's secrets, would be an ethical issue related to business relationships.

58) B
Once a person has recognized an ethical issue and can openly discuss it with others, he or she has begun the process of resolving the issue.

59) C
Ethical decisions in an organization are influenced by three key factors: individual moral standards, the influence of managers and co-workers, and the opportunity to engage in misconduct.

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60) D
This is an example of the influence of managers. If your boss goes on Facebook at work, you and your co-workers are more likely to do so as well.

61) A
If a company fails to provide good examples and direction for appropriate conduct, confusion and conflict will develop and result in the opportunity for misconduct.

62) C
Professional codes of ethics do not have to be so detailed that they take into account every situation, but they should provide guidelines and principles that can help employees achieve organizational objectives and address risks in an acceptable and ethical way. The development of a code of ethics should include not only a firm's executives and board of directors, but also legal staff and employees from all areas of a firm.

63) E

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Codes of ethics are formalized rules and standards that describe what the company expects of its employees.

64) D
Codes of ethics, policies on ethics, and ethics training programs advance ethical behavior because they prescribe which activities are acceptable and which are not, and they limit the opportunity for misconduct by providing punishments for violations of the rules and standards.

65) C
According to the Global Business Ethics Survey, employees in organizations that have written codes of conduct and ethics training, ethics offices or hotlines, and systems for reporting are more likely to report misconduct when they observe it. The survey found that a company's ethical culture is the greatest determinant of future misconduct.

66) B
Codes of ethics, policies on ethics, and ethics training programs advance ethical behavior because they prescribe which activities are acceptable and which are not, and they limit the opportunity for misconduct by providing punishments for violations of the rules and standards.

67) C
Among the reasons why a code of ethics is important is that it gives guidance to employees when facing gray or ambiguous situations or ethical issues that they have never faced before. See Table 2-6.

68) A
A code of ethics is important because it alerts employees about important issues and risks to address. It also provides values such as integrity, transparency, honesty, and fairness; gives guidance to employees when facing gray or ambiguous situations; alerts employees to systems for reporting; establishes uniform ethical conduct; serves as an important document for communicating to the public, suppliers, and regulatory authorities; and provides the foundation for evaluation and improvement of ethical decision making. See Table 2-6.

69) D
According to the Global Business Ethics Survey, employees in organizations that have written codes of conduct and ethics training, ethics offices or hotlines, and systems for reporting are more likely to report misconduct when they observe it. The survey found that a company's ethical culture is the greatest determinant of future misconduct.

70) B

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Whistleblowing occurs when there is a lack of anonymous reporting mechanisms in a company and an employee therefore finds it necessary to expose the firm's wrongdoing to the government or media.

71) E
Congress passed the Dodd-Frank Act, which includes a "whistleblower bounty program." The Securities and Exchange Commission can now award whistleblowers between 10 and 30 percent of monetary sanctions over $1 million.

72) E
There are four stages of social responsibility: economic, legal, ethical, and voluntary. Economic responsibility refers to earning a profit, which is the foundation of the social responsibility pyramid.

73) E
Corporate citizenship is the extent to which businesses meet the legal, ethical, economic, and voluntary responsibilities placed on them by their various stakeholders.

74) B
Corporate citizenship involves the activities and organizational processes adopted by businesses to meet their social responsibilities. TBEXAM.COM

75) E
One of the major corporate citizenship issues is the focus on preserving the environment. The majority of people agree that climate change is a global emergency, but there is no agreement on how to solve the problem. Another example of a corporate citizenship issue might be using sustainable manufacturing processes.

76) E
The four dimensions of social responsibility are legal, economic, voluntary, and ethical.

77) E
These programs exemplify the company's philanthropic activities. These additional activities may not be required, but they promote human welfare or goodwill.

78) E
Being a "good corporate citizen" is an example of the voluntary dimension of social responsibility.

79) E

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Voluntary responsibilities include philanthropic donations.

80) C
As members of society, businesses and their employees should support society through taxes and contributions to social causes. See Table 2-9.

81) A
Studies have found a direct relationship between social responsibility and profitability in business, as well as a link that exists between employee commitment and customer loyalty.

82) D
Businesses must first be responsible to their owners, who are primarily concerned with earning a profit or a return on their investment in a company.

83) D
There is much evidence that social responsibility is associated with improved business performance. Consumers are refusing to buy from businesses that receive publicity about misconduct. A number of studies have found a direct relationship between social responsibility and profitability, as well as a link that exists between employee commitment and customer loyalty—two major concerns of any firm trying to increase profits.

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84) A
Without employees, a business cannot carry out its goals. A number of studies have found a direct relationship between social responsibility and profitability, as well as a link that exists between employee commitment and customer loyalty—two major concerns of any firm trying to increase profits.

85) B
Many laws regarding safety in the workplace are enforced by the Occupational Safety and Health Administration (OSHA).

86) A
Consumerism is defined as the activities that individuals, groups, and organizations undertake to protect their rights as consumers.

87) D
Employees expect businesses to provide a safe workplace, pay them adequately for their work, and keep them informed of what is happening in their company. They want employers to listen to their grievances and treat them fairly.

88) C

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The right to safety means that a business must not knowingly sell anything that could result in personal injury or harm to consumers.

89) E
The right to choose ensures that consumers have access to a variety of goods and services at competitive prices. The assurance of both satisfactory quality and service at a fair price is also a part of the consumer's right to choose.

90) A
The right to choose ensures that consumers have access to a variety of goods and services at competitive prices. The assurance of both satisfactory quality and service at a fair price is also a part of the consumer's right to choose.

91) E
The right to be heard assures consumers that their interests will receive full and sympathetic consideration when the government formulates policy. It also ensures the fair treatment of consumers who voice complaints about a purchased product.

92) E
John F. Kennedy's 1962 consumer bill included the right to be informed, the right to choose, the right to be heard, and the right to safety.TBEXAM.COM

93) A
The right to be informed provides consumers access to information about the products they wish to buy and ensures vital information is contained on product packages and labels.

94) C
This example violates consumers′ right to be informed. This right means that detailed information about ingredients, risks, and instructions for use are to be printed on labels and packages.

95) A
The role of the Federal Trade Commission's Bureau of Consumer Protection exists to protect consumers against unfair, deceptive, or fraudulent practices.

96) B
Environmental protection emerged as a major issue in recent years in the face of increasing evidence that pollution, uncontrolled use of natural resources, and population growth were putting increasing pressure on the long-term sustainability of these resources.

97) C

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Sustainability refers to the process of conducting activities in such a way as to provide for the long-term well-being of the natural environment, including all biological entities. Hence, it involves the interaction among nature and individuals, organizations, and business strategies and includes the assessment and improvement of business strategies, economic sectors, work practices, technologies, and lifestyles, so that they maintain the health of the natural environment.

98) B
One area of environmental concern is pollution of water and soil from business activities. Sustainability refers to conducting activities in such a way as to provide for the long-term well-being of the natural environment, including all biological entities.

99) A
Environmentalists are concerned that some companies are merely greenwashing, or "creating a positive association with environmental issues for an unsuitable product, service, or practice."

100) D
With current technology, environmental responsibility requires trade-offs. Society must weigh the huge costs of limiting or eliminating pollution against the health threat posed by the pollution. Environmental responsibility imposes costs on both business and the public.

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101) E
The most common way that businesses demonstrate their community responsibility is through donations to local and national charitable organizations and causes.

102) B
After realizing that the current pool of prospective employees lacks many basic skills necessary to work, many companies have become concerned about the quality of education in the United States.

103) B
Although most would argue that unemployment is an economic issue, it also carries ethical implications. Protests often occur in areas where unemployment is high, particularly when there seems to be a large gap between rich and poor.

104) C
Organizations such as the National Alliance of Businessmen fund programs to train the hard-core unemployed so that they can find jobs and support themselves.

105) Essay

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Students' answers will vary, but they should aim to use and define key terms such as business ethics and social responsibility. They may also want to define and discuss the term ethical issue.

106) Essay
Bullying belongs to the abusive and intimidating category of behaviors in the workplace. Bullying is a kind of misconduct that is often associated with a hostile workplace when a person or group is targeted and is threatened, harassed, belittled, verbally abused, or overly criticized. Bullying is a widespread problem in the United States, and can cause psychological damage that can result in health-endangering consequences to the target. Surveys reveal that bullying in the workplace is on the rise. Bullying can use a mix of verbal, nonverbal, and manipulative threatening expressions to damage workplace productivity. The problem is that bullies often outrank their victims.

107) Essay
In this scenario, Mona's online shopping act is categorized as the misuse of company resources. Misuse of company resources has been identified as a leading issue in observed misconduct in organizations. Other kinds of misconduct that are similar to Mona's act include downloading music, doing personal banking, surfing the Internet for entertainment purposes, or visiting Facebook. Other issues include spending an excessive amount of time on personal e-mails, submitting personal expenses on company expense reports, or using the company copier for personal use. While serious resource abuse can result in firing, some abuse can have legal repercussions.

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108) Essay
A conflict of interest, one of the most common ethical issues identified by employees, exists when a person must choose whether to advance his or her own personal interests or those of others. For example, a manager in a corporation is supposed to ensure that the company is profitable so that its stockholder-owners receive a return on their investment. In other words, the manager has a responsibility to investors. If she instead makes decisions that give her more power or money but do not help the company, then she has a conflict of interest—she is acting to benefit herself at the expense of her company and is not fulfilling her responsibilities as an employee. Insider trading is another example of a conflict of interest. Insider trading is the buying or selling of stocks by insiders who possess material that is still not public. Bribery can also be a conflict of interest.

109) Essay

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Having a code of ethics is important because it alerts employees about important issues and risks to address and provides values such as integrity, transparency, honesty, and fairness that provide the foundation for building an ethical culture. Further, it guides employees when facing gray or ambiguous situations or ethical issues that they have never faced before. In addition, it alerts employees to systems for reporting or places to go for advice when facing an ethical issue. A code of ethics also helps establish uniform ethical conduct and values that provides a shared approach to dealing with ethical decisions and serves as an important document for communicating to the public, suppliers, and regulatory authorities about the company's values and compliance. Lastly, it provides the foundation for evaluation and improvement of ethical decision making.

110) Essay

The arguments for social responsibility are that it rests on stakeholder engagement and results in benefits to society and improved firm performance; businesses have financial and technical resources to address sustainability, health, and education; businesses and their employees should support society through taxes and contributions to social causes; socially responsible decision making can prevent increased government regulation; and social responsibility is necessary to ensure economic survival.

The arguments against social responsibility are that it sidetracks managers from the primary goal of earning profit; it gives them greater power, perhaps at the expense of concerned stakeholders; business may not have the expertise needed to assess and make decisions about social and economic issues; social problems are the government's responsibility; and creation of nonprofits and contributions to them are the best ways to implement social responsibility. See Table 2-9.

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Chapter 2: Business Ethics and Social Responsibility

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SUMMARY

In this chapter, we take a look at the role of ethics and social responsibility in business decision making. First, we define business ethics and examine why it is important to understand the role of ethics in business. Next, we explore a number of business ethics issues to help you learn to recognize such issues when they arise. Finally, we consider steps businesses can take to improve ethical behavior in their organizations. The second half of the chapter focuses on social responsibility and unemployment. We survey some important issues and detail how companies have responded to them.

LEARNING OBJECTIVES

LO 2-1 Describe the importance of business ethics and social responsibility.

LO 2-2 Detect some of the ethical issues that may arise in business.

LO 2-3 Specify how businesses can promote ethical behavior.

LO 2-4 Explain the four dimensions of social responsibility.

LO 2-5 Evaluate an organization's social responsibilities to owners, employees, consumers, the environment, and the community.

LO 2-6 Evaluate the ethics of a business's decision.

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KEY TERMS AND DEFINITIONS

bribes	Payments, gifts, or special favors intended to influence the outcome of a decision.
business ethics	Principles and standards that determine acceptable conduct in business.
codes of ethics	Formalized rules and standards that describe what a company expects of its employees.
consumerism	The activities that independent individuals, groups, and organizations undertake to protect their rights as consumers.
corporate citizenship	The extent to which businesses meet the legal, ethical, economic, and voluntary responsibilities placed on them by their stakeholders.
ethical issue	An identifiable problem, situation, or opportunity that requires a person to choose from among several actions that may be evaluated as right or wrong, ethical or unethical.
plagiarism	The act of taking someone else's work and presenting it as your own without mentioning the source.
social responsibility	A business's obligation to maximize its positive impact and minimize its negative impact on society.
sustainability	Conducting activities in a way that allows for the long-term well-being of the natural environment, including all biological entities; involves the assessment and improvement of business strategies, economic sectors, work practices, technologies, and lifestyles so that they maintain the health of the natural environment.
whistleblowing	The act of an employee exposing an employer's wrongdoing to outsiders, such as the media or government regulatory agencies.

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CONTENT OUTLINE

The following section provides the flow of information using the **LEARNING OBJECTIVES** as a guide, **KEY TERMS** learners will need to take away from the course, and a notation of when to use **POWERPOINT SLIDES** with **LECTURE NOTES** to drive home teaching points. There is also a reminder on when **CONNECT** activities can be used. This feature was created to facilitate in-class or online discussions more effectively.

LO 2-1	Describe the importance of business ethics and social responsibility. • Introduction • Business Ethics and Social Responsibility • The Role of Ethics in Business	Key Terms: • Business ethics • Social responsibility

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PowerPoint Slides:	Lecture Outline and Notes:
PPT 2.4	I. Business Ethics and Social Responsibility A. **Business ethics** are principles and standards that determine acceptable conduct in business. B. Acceptable behavior is determined by: 1. The organization 2. Stakeholders and interest groups 3. Competitors 4. Government regulators 5. The public 6. The individual's personal principles
PPT 2.5	C. Global Trust in Different Industries (Figure 2.1) 1. In business, trust is the glue that holds the customer relationship together. 2. The recent global financial crisis took a toll on consumer trust of financial services companies. D. "Tone at the top" 1. Managers must show a strong commitment to ethics and compliance. 2. "Tone at the top" requires top managers to acknowledge their own role in supporting ethics and compliance.

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3. Top managers must:
   a. Create strong relationships with ethics and compliance department.
   b. Clearly communicate expectations for ethical behavior to all employees.
   c. Educate managers/supervisors about the company's ethics policies.
   d. Train managers and employees on what to do if an ethics crisis occurs.

PPT 2.6

E. **Social responsibility** is a business's obligation to maximize its positive impact and minimize its negative impact on society.
   1. Social responsibility and ethics are not the same.
      a. Ethics refers to individual's or work group's decisions.
      b. Social responsibility is the impact of the entire organization's activities on society.

F. Laws and regulations

PPT 2.7
PPT 2.8

   1. Timeline of Ethical and Socially Responsible Activities (Table 2.1)
   2. Dodd-Frank Act
      a. Passed to reform the financial industry and offer consumers protection against complex and/or deceptive financial products.
      b. Enacted after the most recent recession.

PPT 2.9

II. The Role of Ethics in Business

A. Growing concerns about legal and ethical issues in business strengthen the public's perceptions that ethical standards and the level of trust in business need to be raised.
   1. Recent legal and ethical issues:
      a. Subprime loans and foreclosures
      b. Accounting fraud
      c. Cybercrimes
      d. Deceptive advertising
      e. Unfair competitive practices
   2. Learning to recognize and resolve ethical issues is a key step in evaluating ethical decisions.

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LO 2-2	Detect some of the ethical issues that may arise in business.
	• Recognizing Ethical Issues in Business
	  ○ Fairness and Honesty
	  ○ Making Decisions about Ethical Issues
		Key Terms:
		• Ethical issue
		• Bribes
		• Plagiarism

PPT 2.11

B. Recognizing ethical issues in business

1. **Ethical issue** is an identifiable problem, situation, or opportunity that requires a person to choose from among several actions that may be evaluated as right or wrong, ethical or unethical.
2. Recognizing ethical issues is the most important step in understanding business ethics.
3. Best way to judge the ethics of a decision is to look at a situation from a customer's or competitor's viewpoint.

C. **Bribes** are payments, gifts, or special favors intended to influence the outcome of a decision.

1. Many business issues seem straightforward and easy to resolve on the surface but are in reality very complex.
2. Experience with the culture in which a business operates is critical to understanding what is ethical or unethical.
3. One of the principal causes of unethical behavior in organizations is overly aggressive financial or business objectives.

PPT 2.12

D. Organizational Misconduct in the United States 2020 (Table 2.2)

PPT 2.14

E. Misuse of Company Time

1. Theft of time is a common area of misconduct observed in the workplace.
2. Many employees spend an average of 1 hr/day using social media sites or watching YouTube.
3. Time theft costs are estimated to cost companies hundreds of billions of dollars annually.

PPT 2.15

F. Abusive or intimidating behavior is the most common ethical problem for employees.

1. Bullying is associated with a hostile workplace when a person or group is targeted and is threatened, harassed, belittled, verbally abused, or overly criticized.
   a. Within the concept of abusive behavior, intent should be a consideration.
   b. Abusive behavior is difficult to assess and manage because of diversity in culture and lifestyle.

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PPT 2.16	G. Actions Associated With Bullies (Table 2.3)
PPT 2.17	H. Misuse of company resources has been identified as a leading issue in observed misconduct in organizations. 1. Issues might include: a. Spending an excessive amount of time on personal emails b. Submitting personal expenses on company expense reports c. Using the company copier for personal use 2. Many companies have implemented official policies delineating acceptable use of company resources.
PPT 2.18	I. Conflict of Interest 1. Exists when a person must choose whether to advance their own personal interests or those of others. 2. To avoid, employees must be able to separate their personal financial interests from their business dealings. 3. Inside trading is the buying or selling of stocks by insiders who possess material that is still not public.
PPT 2.19	J. Least Corrupt Countries (Table 2.4)
PPT 2.20	K. Fairness and Honesty 1. Employees must: a. Abide by the laws. b. Cause no harm through dishonesty. c. Use company resources fairly and honestly. d. Be aware of company policies. e. Recognize ethical behavior. f. Use fair competition practices. g. Give full disclosure of potential harm by a product. 2. Communications a. Be truthful in advertising b. Product safety c. Product labeling

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PPT 2.21	3. Business Relationships a. Keep company secrets. b. Meet obligations. c. Avoid undue pressure forcing others to act unethically. d. **Plagiarism** is taking someone else's work and presenting it as your own without mentioning the source. L. Making Decisions About Ethical Issues 1. It can be difficult to recognize specific ethical issues. 2. People often need years of experience to accurately recognize and react to ethical situations. 3. Questions to Consider in Determining Whether an Action is Ethical (Table 2.5)	
LO 2-3	Specify how businesses can promote ethical behavior. • Improving Ethical Behavior in Business	Key Terms: • Codes of ethics • Whistleblowing

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PPT 2.22

M. Improving Ethical Behavior in Business

1. Three factors that influence business ethics (Figure 2.2):
   a. Individual Standards and Values
   b. **PLUS** Managers' and Co-Workers' Influence
   c. **PLUS** Opportunity: Codes and Compliance Requirements
   d. **EQUAL** Ethical/Unethical Choices in Business
2. Many employees use different ethical standards at work than they do at home.
3. The activities and examples set by managers and coworkers are critical in gaining consistent ethical compliance.
4. If a company fails to provide good examples and direction, confusion and conflict will develop.
   a. This can lead to unethical choices in business.

PPT 2.23

N. Why a Code of Ethics Is Important (Table 2.6)

O. **Codes of ethics** are formalized rules and standards that describe what a company expects of its employees.

1. Employees must have established ethics policies if employees are expected to determine acceptable conduct.
2. Codes and policies on ethics encourage the creation of an ethical culture in the company.
3. The enforcement of ethical codes and policies through rewards and punishments increases the acceptance of ethical standards by employees.

P. **Whistleblowing** is the act of an employee exposing an employer's wrongdoing to outsiders such as the media or government regulatory agencies.

1. One of the most important components of an ethics program is a means through which employees can report observed misconduct anonymously.
2. More companies are establishing programs to encourage employees to report illegal or unethical practices internally.
3. In 2010, Congress passed the Dodd-Frank Act, which includes a "whistleblower bounty program."

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	Q. Ethical Trends in Business 1. The current trend is to move away from legally based ethical programs to cultural or integrity-based programs that make ethics a core organizational value. 2. Effective business ethics programs are good for business performance. 3. Firms that develop higher levels of trust function more efficiently and effectively and avoid damaged company reputations and product images.
LO 2-4	Explain the four dimensions of social responsibility. • The Nature of Social Responsibility Key Terms: • Corporate citizenship
PPT 2.25	III. The Nature of Social Responsibility A. Four Dimensions of Social Responsibility (Table 2.7) 1. ***Financial and Economic Viability***: Being profitable 2. ***Legal responsibilities:*** Obeying the law (society's codification of right and wrong); playing by the rules of the game 3. ***Ethical responsibilities***: Being ethical; doing what is right, just, and fair; avoiding harm 4. ***Philanthropic Activities:*** Being a "good corporate citizen"; contributing to the community and quality of life
PPT 2.26	B. **Corporate citizenship** is the extent to which businesses meet the legal, ethical, economic, and voluntary responsibilities placed on them by their stakeholders. 1. Commitment to corporate citizenship indicates a strategic focus on fulfilling the social responsibilities expected of it by its stakeholders. 2. Involves action and measurement of the extent to which a firm embraces corporate citizenship philosophy and following through by implementing appropriate initiatives. 3. A Selection of the World's Most Ethical Companies (Table 2.8) C. The Arguments For and Against Social Responsibility (Table 2.9)

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LO 2-5	Evaluate an organization's social responsibilities to owners, employees, consumers, the environment, and the community. • Social Responsibility Issues • Unemployment	Key Terms: • Consumerism • Sustainability
PPT 2.27 **PPT 2.28**	IV. Social Responsibility Issues (Table 2-11) The Divisions of the Federal Trade Commission's Bureau of Consumer Protection A. Managers consider social responsibility on a daily basis. 1. Among the many social issues that managers must consider are their firms' relations with: a. Owners and stockholders b. Employees c. Consumers d. Environmental advocates e. Communities B. Relations with Owners and Stockholders 1. Maintain proper accounting procedures. 2. Provide investors with all relevant information. 3. Protect owner's rights and investments. C. Employee Relations 1. Provide a safe workplace and pay them adequately. 2. Provide equal opportunities for all employees. 3. Keep them informed of what is happening in the company. 4. Listen to their grievances and treat them fairly.	

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PPT 2.29	D. Consumer Relations involves the activities that independent individuals, groups, and organizations undertake to protect their rights as consumers. 1. Write letters. 2. Lobby government agencies. 3. Make public service announcements. 4. Boycott irresponsible companies. E. Consumer Bill of Rights (John F. Kennedy, 1962) 1. The right to safety 2. The right to be informed 3. The right to choose 4. The right to be heard F. (Table 2.11) The Divisions of the Federal Trade Commission's Bureau of Consumer Protection G. Sustainability Issues
PPT 2.30–2.33	1. The scope of sustainability is broad: a. Conducting activities in a way that allows for the long-term well-being of the natural environment, including biological entities. 2. Involves the assessment and improvement of business strategies, economic sectors, work practices, technologies, and lifestyles so that they maintain the health of the natural environment. 3. Environmental Protection emerged as a major issue in the 20th century. G. Pollution 1. Water: Society is demanding clean water 2. Air: Acid rain and global warming 3. Land: Garbage, strip mining, and poor forest conservation H. Alternative energy 1. Reducing carbon emissions forces alternative energy sources.

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PPT 2.34	J. Community Relations 1. Donations to local and national charities 2. Volunteer support of local causes
PPT 2.35	V. Unemployment A. Unemployment, while an economic issue, also carries ethical implications. B. Some companies refuse to hire unemployed workers due to their lack of skills; however, critics have accused these companies of not wanting to take the time to train employees. C. Factory closures are seen as unethical because they contribute to unemployment. D. Protesters say unemployment leads to the growing gap between rich and poor.

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LO 2-6	Evaluate the ethics of a business's decision.	Key Terms:
PPT 2.36	VI. Solve the Dilemma: *Customer Privacy* A. Checkers Pizza was one of the first to offer home delivery service, with overwhelming success. B. Major pizza chains soon followed suit, taking away Checkers's competitive edge. C. Checkers's founder, Jon Barnard, needed a new gimmick to beat the competition. 1. Developed a computerized information database that would make Checkers the most efficient competitor and provide insight into consumer buying behavior. 2. Telephone customers were asked their phone number, if they had ordered before, and their address and previous order information came up on the computer screen.	
PPT 2.37	D. The new system was successful: 1. After 3 months, Barnard decided to give an award to the family that ate the most Checkers pizza. 2. As Barnard began to plan for the event, however, he began to think that maybe the family might not want all the attention and publicity.	
PPT 2.38	E. Critical Thinking Questions: 1. What are some of the ethical issues in giving customers an award for consumption behavior without notifying them first? 2. Do you see this as a potential violation of privacy? Explain. 3. How would you handle the situation if you were Barnard? *[Answers appear under the End of Chapter Teaching Resources section of this Instructor's Manual.]*	

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BOXED TEXT DISCUSSION QUESTIONS WITH SUGGESTED ANSWERS

Enter the World of Business: *Omaze-ing: Reinventing the Charity Model*

Omaze is an online global sweepstakes platform that puts together coveted experiences and prizes to raise money for charities. Since Omaze's launch in 2012, the for-profit company, which takes a percentage of the overall sweepstakes donations, gives back to local communities having raised more than 130 million for more than 350 charities. In Omaze's business model, the charity receives 80% of the net proceeds from the experience and the company earns 20%. There are two fundamental strategies the company deploys; celebrity campaigns and prize campaigns.

The company is now intent on creating packages that marry a high-demand item with a cause that resonates among entrants. Omaze's 34-person marketing team produces content to showcase the charity and connects with influencers who will promote the campaigns.

1. How does Omaze make its money?

Omaze puts together coveted experiences and prizes to raise money for charities and takes a percentage of the overall sweepstakes donations. The charities receive 80% of the net proceeds from the experience and the company earns 20%. They deduct the cost of the winners' flights, hotels, and background checks from the overall take, but the company absorbs all of the risk and pays all of the marketing and content costs.

2. What strengths do you think Omaze brings to its partnerships?

Answers will vary but most students will focus on Omaze's Marketing team and its ability to connect with influencers and donors.

3. Do you think Omaze is profit-driven, purpose-driven, or both?

Student answers will vary but students will have to justify their answers.

Business Disruption: *Tyson Looks for Sustainable Meat*

1. What were some of the sustainability mishaps Tyson has faced in the past?

Tyson's greenhouse gas emissions are thought to be equivalent to those emitted by the country of Ireland. Additionally, Tyson was forced to pay a fine of $2 million for contaminating a river with chicken waste from a processing plant. It has also been accused of inhumane treatment of animals.

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2. What are some ways Tyson hopes to improve its sustainability and the ethical treatment of animals?

The CEO has added the position of a chief sustainability officer and promised to better the treatment of animals. The company has also pledged to cut emissions by 30% by 2030.

3. Do you think Tyson is investing more in alternative meats because it is beneficial to the environment or because the market is increasing in demand? Explain your reasoning.

Answers will vary with some students answering that Tyson is just meeting a consumer preference while other students will argue that Tyson is trying to be more sustainable and ethical.

Consider Ethics and Social Responsibility: *Building a Better Everyday Life With Ikea*

1. Describe the strides IKEA is attempting to take in sustainability.

IKEA is reducing carbon emissions and has a long-term goal to become "carbon positive," which means removing more carbon dioxide emissions than it creates. The company is switching to electric delivery trucks and is committed to completely switching over to electric trucks in every location. IKEA has invested around $2 billion in renewable energy and expects to be climate positive—producing more energy than it uses—by 2030.

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2. How does IKEA display corporate social responsibility? How does this differ from ethical conduct?

Employees are encouraged to mentor young students, assist senior citizens, and more. In 1982, IKEA opened the IKEA foundation. Besides fighting for children's rights and education, the IKEA Foundation awarded a grant of $2.3 million to the World Resources Institute to help bring clean electricity to a million people in India and East Africa.

3. Why do you think a culture of volunteerism might be helpful in recruiting new employees?

Answers will vary, but most students will answer that volunteerism and the skills learned in as an IKEA volunteer create marketable skills that employees and employers' value. Additionally, many of today's employees value jobs that align with the IKEA vision "to create a better everyday life for the many people."

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Responding to Business Challenges: *Sherwin-Williams Paints Itself in A Corner*

1. **Describe the ethical issue in this case. Why do you think it has been so difficult to come to a solid verdict?**
   This case centers on a California lawsuit that sought damages for the firm's marketing of lead paint in homes. The difficulty centers around the issue of whether companies should be held liable if their products are found to be hazardous further down the road—even if they are currently legal.

2. **If Sherwin-Williams knew about the dangers of lead paint more than a century ago (it denies this claim), how would this violate the concepts of fairness and honesty? Do you think this should affect the verdict?**
   If Sherwin-Williams knew about the dangers then it violates the concept of fairness and honesty as it relates to disclosure of potential harm caused by product use. Fairness and honesty are at the heart of business ethics and relate to the general values of decision makers. Answers will vary with some students answering that it should affect the verdict and others disagreeing.

3. **Recall that lead paint in homes was not made illegal until 1978. Yet knowledge that it was toxic inside the home was accepted since the 1950s. Do you think other stakeholders should be held liable for the cleanup?**
   Again, answers will vary with some students answering that government agencies should be held accountable since they did not enforce a lead paint ban. Other students will argue that only the companies responsible for making the paint should be held liable.

So You Want a Job in Business Ethics and Social Responsibility

What has helped drive the increasing awareness of the importance of business ethics and social responsibility?

Under pressure from employees and consumers, businesses understand the importance of ethical and social responsibility issues. They recognize that being socially responsible and ethical is good for the business's bottom line, as well as for its reputation. As the trend continues to grow, more and more businesses are likely to employ individuals who are experts in these areas.

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END OF CHAPTER TEACHING RESOURCES

Check Your Progress

1. Define *business ethics*. Who determines whether a business activity is ethical? Is unethical conduct always illegal?

   Business ethics refers to principles and standards that determine acceptable conduct in business. Ethical behavior is determined by the public, government regulators, interest groups, and competitors. Unethical conduct is not always illegal, but it does not conform to the principles of society. Ethics goes beyond legal issues. It attempts to build trust among the participants of business.

2. **Distinguish between ethics and social responsibility.**

   Ethics relates to an individual's values and standards and the decisions they make. Social responsibility concerns the impact of a business's activities on society.

3. **Why has ethics become so important in business?**

   The negative publicity received by many unethical business practices has made consumers very much aware of ethical issues. Consumers are putting pressure on businesses to behave more ethically with all parties involved directly or indirectly in business affairs.

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4. **What is an ethical issue? What are some of the ethical issues discussed in your text? Why are they ethical issues?**

   An ethical issue is an identifiable problem, situation, or opportunity that requires a person to choose from among several actions that may be evaluated as right or wrong, ethical or unethical. The text categorizes a number of issues, including misuse of company time, bribery, abusive behavior, misuse of company resources, conflicts of interest, communications, and business relationships. These are ethical issues because they involve actions that may be considered unacceptable by society, they could be perceived as unfair, and they could cause potential harm to other stakeholders.

5. **What is a code of ethics? How can one reduce unethical behavior in business?**

   A code of ethics is a set of formalized rules and standards that describes what a company expects of its employees. One can reduce unethical behavior in business by developing and promoting a code of ethics, and by using different methods such as training, group discussions, or corporate communications.

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6. **List and discuss the arguments for and against social responsibility by business (Table 2.9). Can you think of additional arguments (for or against)?**

   Arguments for social responsibility include (1) business helped create problems and should help to solve them; (2) business has the financial and technical resources to help solve problems; (3) as a member of society, business should do its fair share to help others; (4) social responsibility can help prevent increased government regulation; and (5) social responsibility helps to ensure economic survival. Arguments against social responsibility include (1) social responsibility detracts from the profit-making objectives of business; (2) participation in social responsibility programs gives business power at the expense of other segments of society; (3) business may not have the expertise to solve social problems; and (4) social problems are the responsibility of government agencies.

   Students may be able to offer additional arguments for or against being socially responsible.

7. **What responsibilities does a business have toward its employees?**

   A business should provide employees with a safe workplace, pay them adequately, listen to their grievances, and treat them fairly.

8. **What responsibilities does business have with regard to the environment? What steps have been taken by some responsible businesses to minimize the negative impact of their activities on the environment?**

   Businesses have the responsibility of maintaining a healthy environment. Businesses must take responsibility for their actions as part of society. Some companies focus on prevention as part of environmental responsibility. Others view the protection of the environment as a way of reducing costs and increasing profits. More companies are adopting social responsibility audits to determine how effective the programs have been and to help develop future programs.

9. **What are a business's responsibilities toward the community in which it operates?**

   Businesses have responsibilities to the general welfare of the communities and societies in which they operate. Many businesses simply want to make their communities better places for everyone to live and work.

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Get Involved

1. **Discuss some recent examples of businesses engaging in unethical practices. Classify these practices as issues of conflict of interest, fairness and honesty, communications, or business relationships. Why do you think the businesses chose to behave unethically? What actions might the businesses have taken?**

   Student answers will vary, but they should support their answers with information from the text.

   Sample student answer: The Environmental Protection Agency discovered that Volkswagen had been installing defeat devices in its diesel vehicles to fool regulators during emissions testing. The defeat device was able to detect when the vehicle was being tested for emissions and caused the vehicle to operate at less than maximum capacity so it would pass the test. In reality, on the road the vehicles gave off many times the allowable limit of emissions. This caused a massive recall for VW, a major loss in reputation, and likely fines from governments that had been deceived by VW.

   Potential ethical issues include fairness and honesty. Employees at VW purposefully installed the defeat devices to fool regulators, a dishonest activity used to increase sales of its vehicles. It also was dishonest with dealers and consumers. VW released advertising promoting the environmental benefits of its vehicles, when in reality its emissions far surpassed accepted standards. There was likely insufficient communication inside the company since the misconduct went on for so long unchecked. VW also neglected its legal and environmental responsibilities. Its use of defeat devices to fool regulators violated laws. Additionally, it neglected its responsibilities to the environment by developing vehicles that heavily polluted the environment with its high emissions. In this example, students might assume that certain employees at VW were more concerned with short-term gains than long-term viability. Some proposed actions would have been to spend longer periods of time developing diesel vehicles that did meet emissions standards. Also, those who found out about the misconduct could have become whistleblowers and alerted authorities to the deception before the situation worsened.

2. **Discuss with your class some possible methods of improving ethical standards in business. Do you think that business should regulate its own activities or that the federal government should establish and enforce ethical standards? How do you think businesspeople feel?**

   Student answers will vary. Students who might favor businesses regulating their own activities might argue that businesses understand their industries better and would therefore have a better understanding of which ethical standards to adopt. Businesses could also come up with unique and creative ways to meet the needs of their stakeholders than if they were constrained by regulation. Those who favor government regulation

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might point toward the many business scandals that have occurred in recent years and the necessity for government regulation to close loopholes and keep businesses from advancing their own interests at the expense of society. Most businesspeople prefer less regulation as it tends to limit their activities, although some opinions of businesspeople might vary depending on the person.

3. **Find some examples of socially responsible businesses in newspapers or business journals. Explain why you believe their actions are socially responsible. Why do you think the companies chose to act as they did?**

   Student answers will vary depending on their choices. Some good places to investigate would be *Ethisphere* magazine's "World's Most Ethical Companies" or *Fortune* magazine's "Best Companies to Work for."

Build Your Skills: *Making Decisions About Ethical Issues*

The following information is extracted from *Gray Matters: The Ethics Game Manual*:

Objectives

1. Make students aware of various ethical challenges that can arise in their day-to-day job responsibilities.
2. Stimulate students' imaginations regarding the ethical consequences of their business decisions and actions.
3. Strengthen students' skills in applying textbook knowledge to hypothetical situations.
4. Involve students in discussion rather than have them listen passively to a lecture or read an abstract set of ethical principles.

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This game is designed to teach the solving of ethical dilemmas that occur almost every day in every kind of business. It is also designed to create controversy. It is structured to bring out more than just one company's policies—to allow the participants to argue multiple approaches to ethical dilemmas. For example, is there only one answer—regardless of the circumstances? Or are there modifying influences? Right is right, but what is right?

The intentional controversy doesn't stop with the answers. It carries on into the values of the answers. In a game, there must be scorekeeping. You may disagree with the values of some of the answers, but do you always agree with the penalties in football? Or that fine line that distinguishes a hit from an error in baseball?

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Ethics is dynamic. No one solution is always correct nor is another solution always wrong. Some solutions appeal to some while other solutions appeal to others. In *Gray Matters*, every mini-case poses four solutions. In some cases, only one solution is correct; in others, more than one is correct. But which is most correct? In a few mini-cases, none of the posed answers are correct. But one will be the best selection from the options listed.

In theory, each possible answer should entice somebody, thereby generating discussion. It is the discussion that is valuable, for out of the discussion will come the rationale for an answer. None of the posed answers can be changed. The players must pick the one they can best justify—based on company policies, their experiences, their education, their ethical training, and their beliefs.

Materials

- Four mini-case cards (in-textbook exercise)
- Four each A-B-C-D answer flags (instructor can use 3 × 5 index cards where the answer letters (A-B-C-D) are written one per card)

How to Play

Competition adds spice to the game, just as it does in real life. It can be played by individuals, or by a larger playgroup divided into teams. When the class is too large to play as individuals, organize the players into competitive groups. The number of groups optimally should be three to five (but can be as many as 10). Preferably, no more than four to six players should be in each group. A group spokesperson will be appointed.

For each mini-case, the group should be allowed 5 min for discussion among themselves. At the end of 5 min, the leader will ask each group spokesperson to hold up an answer flag pertaining to the group's selected answer. The answers will be recorded by the instructor. Each group will then be asked to explain their answer in 1 min. Based on the answer flag presented, each group will be awarded points according to the answers given below. (You may want the groups to keep track of their own scores or you may wish to photocopy and use the score sheet at the end of this section.)

What is the most essential ingredient to the success of the game? Complete discussion of the ethical dilemma in each question and answer by all the participants.

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Answers, Point Values, and Rationale

CASE NO.	ANSWER	POINTS	RATIONALE
4	A	0	May solve the workload problem if you can physically and mentally carry this double workload over a long period. Does not solve the ethical issue, so no credit.
	B	5	It brings to the attention of the supervisor the poor work ethic of your colleague. It also may give you an opportunity to properly expand your own activity.
	C	10	If it works, this is the easy way to solve the problem. Be aware, however, if it doesn't work, you may have to take the next step.
	D	-5	Pushes the problem-solving onto someone else. The problem is between you, your supervisor, and your colleague. Solve it there.

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CASE NO.	ANSWER	POINTS	RATIONALE
7	A	5	May do some good.
	B	5	May do some good.
	C	0	Too confrontational.
	D	10	Gets the right people involved in solving the problem.

CASE NO.	ANSWER	POINTS	RATIONALE
36	A	−10	How many other company policies do you also ignore?
	B	5	May solve the problem but then it may not. In fact, it may get very confrontational and most likely will not.
	C	−10	In that case you deserve −10 points.
	D	10	This is the easiest way for you to handle the problem and the one with the most chance of success.

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CASE NO.	ANSWER	POINTS	RATIONALE
40	A	−10	That makes you also guilty of theft.
	B	0	He probably knows that.
	C	10	Ethics will have it investigated.
	D	5	This may also get the problem investigated; but then again, it may not.

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Score Sheet

Photocopy the chart, fill in the group leader's name at the top of each column, and record the points for the choices selected.

CASE NO.	ANSWER	POINTS
4	A	0
	B	5
	C	10
	D	−5
7	A	5
	B	5
	C	0
	D	10
36	A	−10
	B	5
	C	−10
	D	10
40	A	−10
	B	0
	C	10
	D	5
TOTAL POINTS		

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Source: Gray Matters: The Ethics Game by George Sammet Jr., Lockheed Martin Corporation.

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Solve the Dilemma: *Customer Privacy*

1. **What are some of the ethical issues in giving customers an award for consumption behavior without notifying them first?**

   In such a situation, the consumption behavior of the rewarded customer is communicated to the public. It violates the right of the consumer to be informed. The company should know what the effect of this award might have on the winner: negative consequences may be as likely as positive ones.

2. **Do you see this as a potential violation of privacy? Explain.**

   The publicity given to the customer violates privacy: it reveals to the public some of their behaviors (here, pizza eating habits). However, the family might not mind the publicity or

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feel like it violates their privacy. Students might have different opinions regarding the seriousness of this issue.

3. **How would you handle the situation if you were Barnard?**

   Barnard should contact the family concerned and inform them that an award rewarding Checkers' best customer may be given to them if the family accepts the award. The program of the award (especially the news story associated with it) should be described in detail. If the family refuses the award, the next best customer could be contacted.

Build Your Business Plan: *Business Ethics and Social Responsibility*

Find an example within your community of an ethical and/or societal violation, which can be an issue still being resolved. Lead a discussion on the facts of this violation and what the implications are of this violation with the community. Have the students identify the stakeholders affected by this action.

Ask the students for volunteers to discuss the industry they are considering for their business plan. Probe them to identify any environmental violations, product defects, recalls, and so on that they need to be aware of as they proceed to gather information on this industry.

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See for Yourself Case: *An Affordable World Vision*

Case Overview

With more than $8.1 billion in annual sales, the Hershey Company is one of the world's largest producers of chocolate and candy products. Hershey's products are sold in more than 70 countries and include Hershey's Kisses and Hershey's Milk Chocolate Bars, as well as brands such as Reese's, Whoppers, Almond Joy, and Twizzlers. Although Hershey strives to be a model company and has several philanthropic, social, and environmental programs, the company has struggled with ethical problems related to labor issues.

The company incorporates its values into its programs and initiatives. Hershey uses its value chain to categorize its social responsibility activities into four groups: Shared Futures, Shared Planet, Shared Business, and Shared Communities. 1. Hershey's Shared Futures pillar focuses on helping children succeed through education and nutrition. 2. Maintaining the environment is important to Hershey, and it is taking many steps to reduce its impact on the environment under its Shared Planet pillar. 3. Maintaining the environment is important to Hershey, and it is taking many steps to reduce its impact on the environment under its Shared Planet pillar. 4.

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Hershey's idea of Shared Communities begins with employee engagement and volunteerism and extends to investing in the communities in which Hershey operates.

Although The Hershey Company strives to engage in ethical and responsible behavior, the realities of the cocoa industry present several ethical challenges related to the fair and safe treatment of workers, especially children. The global cocoa market is currently supplied mostly by lesser developed countries, with 70% supplied by Africa (Ivory Coast, Ghana, Nigeria, and Cameroon). This has brought about the booming business of child labor, slavery, and human trafficking across African borders.

1. How does the Hershey Company support communities in Africa?

Hershey provides ViVi, a fortified nutritional supplement, to students in Ghana to improve nutrition as well as increase school attendance. A study by the University of Ghana showed that anemia rates decreased and attendance rates improved in the 57,700 children that received ViVi daily. Hershey introduced a human rights policy in 2019 as a sign of its commitment to human rights issues in the supply chain such as child labor, women's rights and empowerment, living wage and income, and forced labor.

2. What ethical challenges does the cocoa industry present?

Ethical challenges include sustainable cocoa farming, child labor, slavery, and human trafficking.

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3. What stakeholders does the Hershey company prioritize?

Hershey stakeholders are the "people and the planet". Its program focuses on four groups: Shared Futures, Shared Planet, Shared Business, and Shared Communities. These programs focus on employees, children, the environment, and the communities in which Hershey operates.

Team Exercise

Sam Walton, founder of Walmart, had an early strategy for growing his business related to pricing. The "Opening Price Point" strategy used by Walton involved offering the introductory product in a product line at the lowest point in the market. For example, a minimally equipped microwave oven would sell for less than anyone else in town could sell the same unit. The strategy was that if consumers saw a product, such as the microwave, and saw it as a good value, they would assume that all the microwaves were good values. Walton also noted that most people don't buy the entry-level product; they want more features and capabilities and often trade up.

Students will form teams and assign the role of defending this strategy or casting this strategy as an unethical act. They can present their thoughts on either side of the issue.

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Sample Answers:

Strategy as ethical: As long as there are plenty of these minimally equipped products on hand and Walmart is transparent about their prices and functionality, then there is nothing wrong with the strategy. In fact, it is an excellent business strategy because it attracts consumers and provides them with the choice to purchase the minimally equipped product or choose to upgrade to a higher priced product with more features.

Strategy as unethical: Walmart is using a penetration pricing strategy to drive competitors out of business. Its entire strategy is to draw consumers away from the competition into its stores and then upsell them to higher priced products. Although this might not be illegal as long as the lower priced products are available, this practice is unfair to local businesses that cannot compete and is an underhanded way of persuading consumers to come to its stores.

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CONNECT ACTIVITIES

Cocoa Exchange Values Social Responsibility

Learning Objective: 2-1: Describe the importance of business ethics and social responsibility.

Activity Summary: The Cocoa Exchange is a direct-to-consumer subsidiary of Mars Inc., the global manufacturer of confectionery and other food products. Specifically, the Cocoa Exchange is a marketplace for its salespeople to connect with chocolate-loving consumers, offering tasty chocolate and sugar-based products. As a nature-related business, operating in an ethically and in a socially responsible manner is important for leadership of the company.

How to Use Activity: After watching the video, divide the class into four groups. Have each group spend 15 min responding to a specific prompt:

1. What behaviors contribute to an ethical business?
2. What behaviors detract from an ethical business?
3. What behaviors contribute to a business being socially responsible?
4. What behaviors detract from a business being socially responsible?

Then, invite each group to share their responses with the class.

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Class Discussion: What are the benefits of working in an organization which is ethical and socially responsible? How would you define ethical behavior? What are the positive benefits of being socially responsible? Are there any drawbacks?

The Dilemma of Cross-Selling Insurance Policies

Learning Objective: 2-5: Evaluate an organization's social responsibilities to owners, employees, consumers, the environment, and the community.

Activity Summary: Cross-selling is a common sales technique that can benefit a salesperson's book of business when done correctly. Conversely, it can also damage their (and their company's) creditability when done with malicious intent. In this case, students read about a common scenario in which they understand and apply an ethical dilemma in cross-selling.

How to Use Activity: Today's students often come to the classroom with a variety of work experiences. After assigning this activity as a homework assignment, facilitate a discussion around the term ethical dilemma. Invite students to share their own experiences; it is likely that they will have observed or at least been made aware of similar examples supporting the term.

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Class Discussion: Have you ever observed, or been a part of an ethical dilemma? What did you do? What news headlines have you seen recently relating to social responsibility or workplace ethics? *(Note to Professor: Examples include Enron, Facebook, and Online Privacy.)*

Bombas' Business Model—Buy One—Give One

Learning Objective: 2-4: Explain the four dimensions of social responsibility.

Activity Summary: Many social issues managers have to consider revolve around relations with stakeholders, including owners, stockholders, employees, consumers, regulators, communities, and environmental issues. While there are many arguments for and against social responsibility, many studies show that social responsibility is associated with improved business performance. Students will read the Bombas case and demonstrate their understanding of social responsibility and the role it plays in how consumers' decisions.

Class Discussion: Focus the discussion on how Bombas' business model and its slogan of "Buy One Give One" is an integral part of its philosophy and has impacted its success.

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BONUS TEACHING RESOURCES

Recycling: A Dilemma for Business Firms

In the United States, the amount of consumer and industrial waste has been increasing regularly. It was estimated that by the year 2010, total municipal solid waste reached 250 million tons. Ecological authorities frequently tout recycling as a means of slowing down waste and the need for landfill space. Biodegradable products, those which decompose, are also recommended.

As more companies strive to be ecologically responsible as well as appeal to consumers by offering "green" products, many have come to believe the evidence that such programs may actually be economically profitable. Many companies now offer "green" versions of their traditional products as the proof mounts that many consumers favor these products. Organizations such as Walmart are reducing pollution and waste in anticipation of future federal regulatory mandates. 3M offers toilet-bowl brushes made from the leftover plastic fibers from is Scotch-Brite cleaning cloths. Similarly, Recycline offers toothbrushes and other household and personal grooming products made from recycled Stonyfield Farm yogurt containers.

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Many large retailers offer recycling centers for paper, plastics, and aluminum. Best Buy even offers electronics recycling at many of its stores. Large grocery chains frequently give consumers discounts on their purchases if they bring their own bags with them. While recycling has become increasingly widespread, recycling centers can be problematic for two reasons: (1) the lack of a market for recycled products in some areas and (2) the cost of maintaining the recycling centers. For example, one manager of a major retailing firm pointed out that people used the recycling bins to dispose of all kinds of unwanted trash and garbage, disregarding the specific types of materials to be placed in the bins. Every morning, employees had to clean the parking lot of debris from the recycling bins. People would toss in glass, metal, cloth, and garbage in plastic sacks—materials not to be deposited in the recycling bins.

Many cities in the United States, concerned about the declining amount of landfill space, have introduced recycling for trash and garbage pickup. Those municipalities, as in the case of individual business firms, need an outlet for materials saved for recycling. Sorting is a requirement for municipal recycling—whether done by each household or by specialized sorting equipment.

Two trends may lead to increased recycling by consumers and business firms. One trend is charging for nonrecyclable garbage. For example, some municipalities refuse to pick up nonrecycled trash and garbage, forcing households to hire private firms to pick up nonrecycled items. Another trend is through regulation that requires recycling, such as the German Green Point Law, which requires manufacturers to assume responsibility for the disposal of their packaging.

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When consumers and business firms find it is in their economic interests to recycle, then perhaps producers will find ways to use recycled products. For example, Pitney Bowes of Canada Ltd. is one of many companies that now sells copiers that take reusable toner cartridges. Thermo Tech Technologies Inc., another Canadian company, uses a patented technology to turn organic wastes into animal feed supplements or fertilizers.

Technology also has many innovative uses proposed for recycled plastics—some as reformulated plastics, others as insulation or building materials. Biodegradability is the main problem with plastics. Biodegradable plastics, however, can be composted and are therefore healthier for the environment. Household and personal care product firm Seventh Generation offers biodegradable diapers, cleaners, and detergents. While these products must be composted properly in order to fully biodegrade, they do represent a step in the right direction toward fully biodegradable plastics.

Recycling, no doubt, is here to stay. Social responsibility on the part of consumers and businesses will encourage greater use of recycling. Governmental regulation also will spur greater use of recycling in the future.

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1. **Why has recycling become more popular and widespread?**

   As more consumers become concerned about the environment and climate change, recycling has become more common. Many cities offer recycling services now, and some organizations also have recycling bins for commonly recycled items. Furthermore, companies like Best Buy offer recycling services for difficult-to-recycle items like electronics. As resources become scarcer and more consumers reject companies perceived as wasteful, organizations have sought to improve their recycling practices in order to cut down on waste and to increase goodwill.

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2. **What are some of the issues hindering businesses and organizations from offering further recycling services?**

   Recycling can be expensive because people must be hired to sort the recycled goods. There must also be a market for recyclables. In recessionary periods, oftentimes it becomes too expensive to continue to offer recycling programs because companies seek to cut back on extra expenses. Additionally, some cities and towns have found that recycling programs can be expensive to maintain.

3. **What are some of the solutions companies are developing to help cut down on waste and to recycle more?**

   Some companies are turning to energy saving measures like using renewable energy. They are also looking toward cutting-edge materials to help reduce waste that ends up in landfills. Biodegradable plastics in packaging are relatively new and, while they are not in widespread use, are growing in acceptance and popularity.

Term Paper or Project Topic

These topics may be assigned as individual or collaborative projects:

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- Advantages and Disadvantages of Social Responsibility Programs for Business
- A Study of Unethical Business Practices
- A Survey of Social Responsibility Programs in Corporations (can do a questionnaire survey of local firms)
- Ralph Nader: Consumer Advocate
- Environmental Issues and Their Solutions

Guest Speaker Suggestions

1. A professor or teacher to talk about ethics in business.

2. A representative from a business firm to speak about business ethics, problems with business ethics in a competitive environment, and the importance of business ethics in dealing with consumers.

3. A business communication or English professor or teacher to speak to the class on what constitutes plagiarism, how to paraphrase, and how to use correct documentation.

4. An individual (concerned environmentalist, teacher, professor, etc.) to speak on local environmental issues.

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5. A consumer relations manager to describe consumer relations programs of a local firm.

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Teaching Suggestions

1. As indicated in "Teaching Suggestions" for Chapter 1, instructors may wish to vary the daily organization of the lesson. Varying the sequence of activities adds variety to class presentation.

   At the beginning of the chapter in the textbook and in this *Instructor's Manual*, objectives are provided. Many instructors write the objectives on the chalkboard or on an overhead at the beginning of the class session and then at the end of the session check off each objective to determine if all the objectives have been achieved. Educational research indicates students learn more effectively when there is a summarization or review of the textbook content at the end of class sessions.

2. As a "writing to learn" exercise, allow approximately 5 min for students to write their thoughts or summary on this topic:

   What is the importance of ethics and social responsibility in business today?

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The writing exercise can be done with or without the use of the textbook. The purpose of the exercise is for students to consider the topic and apply the knowledge learned in the reading assignment. Research indicates that the act or process of writing helps students to retain information. Feedback may be done by calling on a few students at random to read their writing. Remember, not all feedback need be for a letter grade; instead, the feedback may be treated as an activity to enhance learning. For large classes, an alternative to calling on individual students is to break into small groups and have them share their writing within the small group.

3. "Check Your Progress" is important for this chapter. A suggestion for large lecture halls is to assign different question numbers to different rows. Then call upon one person in a row to give their answer.

4. The instructor can lecture using the "Lecture Outline and Notes," covering all of the chapter content. An alternative is not to cover the entire chapter but simply to use the PowerPoints to cover main points of the chapter; then the instructor may have time to use the "Supplemental Lecture" and/or "Controversial Issue" material provided in this *Instructor's Manual*. If students are to have read the chapter prior to class, then the instructor may spend less time lecturing and more time with additional material, discussion questions, and boxed material or cases.

5. Use the quiz provided. Have students write answers quickly. Then have students call out the correct answers in unison. Ask if there are any questions about any of the answers.

6. Occasionally, an instructor may wish to give oral instructions or information to reinforce listening skills. One business professor gives part of her test instructions orally; she believes that teachers reward inattention by repeating information time and time again. She warns students that she will give the instructions only once and will not repeat instructions. Her students learn to listen!

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