Chapter 02

Defining Business Ethics

True / False Questions

1. Business ethics involves the application of standards of moral behavior to business situations.

    True   False

2. Business ethics can be approached from two distinct perspectives: prohibitive and preventative.

    True   False

3. Business ethics should be applied as a separate set of moral standards or ethical concepts from general ethics.

    True   False

4. Ethical behavior should be the same both inside and outside a business situation.

    True   False

5. A stakeholder is someone with a share or interest in a business enterprise.

    True   False

6. Not every stakeholder will be relevant in every business situation.

   True   False

7. Stakeholders include stockholders, employees, and the federal government.

   True   False

8. The interests of wholesalers in an organization include accurate deliveries of quality products on time and at a reasonable cost.

   True   False

9. The interests of creditors in an organization focus specifically on the employment of local residents and the safety of the work environment.

   True   False

10. Unethical corporate behavior does not impact a company's stakeholders.

    True   False

11. Unethical corporate behavior could impact a community negatively if it were to lead to an economic decline.

    True   False

12. Corporate governance is the system by which businesses are directed and controlled.

    True   False

13. The standard of corporate governance is the extent to which the officers of an organization are fulfilling the duties and responsibilities of their offices to the relevant stakeholders.

    True   False

14. The standard of corporate governance appears to be at the highest in recent business history.

    True   False

15. An oxymoron is the combination of two facts that mirror and support each other.

    True   False

16. The positive outcome of the awareness generated by unethical behavior in the business world has been increased attention to the need for third-party guarantees of ethical conduct and active commitments from the rest of the business world.

    True   False

17. A company's code of ethics comprises written standards of moral behavior that are designed to guide managers and employees in making the decisions and choices they face every day.

    True   False

18. The Ethics Resource Center defines a code of ethics as a central guide to support day-to-day decision making at work.

    True   False

19. According to the ERC, an organization's cornerstones include its missions, values, and principles.

    True   False

20. The Ethics Resource Center states that a code of ethics should help managers, employees, and stakeholders understand how an organization's cornerstones translate into everyday decisions, behaviors, and actions.

    True   False

21. According to the ERC, a good code of ethics is structured to liberate and empower people to make more effective decisions with greater confidence.

    True   False

22. As a message to its stakeholders, an organization's code of ethics should represent a clear corporate commitment to the highest standards of ethical behavior.

    True   False

23. An organization's code of ethics has no relevance to its stakeholders.

    True   False

24. An organization's code of ethics has no relevance to its employees.

    True   False

25. An organization's code of ethics does not pertain to the everyday functioning of its managers and employees.

    True   False

26. The issue of corporate social responsibility has advanced from an abstract debate to a core performance-assessment issue with clearly established legal liabilities.

    True   False

27. Over the last five decades, corporate ethics has shifted from the organizational mainstream into the domain of legal and human resource departments.

    True   False

28. Codes of ethics have matured from performance-measurement documents into cosmetic public relations documents.

    True   False

29. The 2002 Sarbanes-Oxley Act introduced greater accountability for chief executive officers and boards of directors in signing off on the financial performance records of the organizations they represent.

    True   False

30. The major ethical dilemma of the 2000s is the employee versus management mentality.

    True   False

31. International ethics centers that serve the needs of global businesses were formed in the 1960s.

    True   False

32. An ethical dilemma is a situation in which there is no obvious right or wrong decision, but rather a right or right answer.

    True   False

33. Once the type of ethical conflict has been determined, there are two principles by which it can be resolved: Volcker's Rule and Campbell's Rule.

    True   False

34. Utilizing the ends-based principle to resolve an ethical dilemma necessitates focusing solely on the decisions that other people in your situation would arrive at.

    True   False

35. Utilizing the rules-based principle to resolve an ethical dilemma necessitates focusing exclusively on which decision would provide the greatest good for the greatest number of people.

    True   False

36. When trying to resolve an ethical dilemma, the Golden Rule principle considers only legal aspects of the problem.

    True   False

37. The three principles by which ethical dilemmas are resolved are successful in all situations.

    True   False

38. The ethicalness of an activity is determined by the number of people who take the action.

    True   False

39. The notion that anything which isn't specifically labeled as wrong must be OK encourages ethical actions in employees prone to unethical behavior.

    True   False

40. The belief that an activity is safe because it will never be found out or publicized is one of the commonly held rationalizations, identified by Saul Gellerman, which can lead to unethical behavior.

    True   False

Multiple Choice Questions

41. _____ is the application of standards of moral behavior to business situations.

    A. Business structuralism
    B. Business contingence
    C. Business ethics
    D. Business sourcing

42. Business ethics:

    A. involves applying ethical and moral standards to business behavior.
    B. should be applied as a separate set of moral standards from general ethics.
    C. deals exclusively with the ethical behavior of stakeholders and shareholders.
    D. can by understood from two perspectives—preventative and prohibitive.

43. Business ethics can be approached from two different perspectives. The _____ perspective is a summation of the customs, attitudes, and rules that are observed within a business.

   A. descriptive

   B. normative

   C. preventative

   D. prescriptive

44. Business ethics can be approached from two different perspectives. The _____ perspective evaluates the degree to which the observed customs, attitudes, and rules can be considered ethical.

   A. descriptive

   B. prohibitive

   C. normative

   D. preventative

45. Which of the following perspectives of business ethics is a simple documentation of what is happening?

   A. Arbitrative

   B. Normative

   C. Prescriptive

   D. Descriptive

46. Which of the following perspectives of business ethics is involved in recommending what should be happening?

   A. Delineative

   B. Normative

   C. Formative

   D. Descriptive

47. Which of the following is true of business ethics?

   A. The descriptive dimension of business ethics evaluates the degree to which the observed customs, attitudes, and rules of a business are ethical.

   B. Business ethics should ideally not reflect the ethical concepts of the society within which an organization functions.

   C. The normative dimension of business ethics is a summation of the customs, attitudes, and rules that are observed within a business.

   D. Business ethics should not be applied as a separate set of moral standards or ethical concepts from general ethics.

48. A _____ is defined as someone with a share or interest in a business enterprise.

   A. stakeholder

   B. moderator

   C. mediator

   D. crossholder

49. Which of the following is true of stakeholders?

    A. Not every stakeholder is relevant in every business situation.

    B. The stakeholders of an organization are not affected by its unethical behavior.

    C. The cancellation of an organization's dividends has no impact upon stakeholders.

    D. Creditors are not considered the stakeholders of an organization.

50. GeoTransmit, a large multinational telecommunications company, decided to hide the extensive debt and losses it was accumulating from its investors. Its fraudulent accounting behavior was eventually discovered, however, and the company went bankrupt. Which of the following is true of GeoTransmit and its stakeholders?

    A. The different stakeholders of GeoTransmit will be affected in different ways.

    B. Geotransmit's decision to hide its losses from investors will not impact the economy.

    C. None of GeoTransmit's stakeholders will be affected adversely by its decision.

    D. GeoTransmit's decision to hide its losses from investors cannot be considered unethical.

51. _____ is the system that directs and controls business organizations.

    A. Business structuralism

    B. Organizational resonance

    C. Retail optimization

    D. Corporate governance

52. Which of the following is true of corporate governance?

    A. It plays no role in enforcing ethical behavior in the workplace.

    B. It is the process by which the government nationalizes corporations.

    C. It is the system by which business corporations are directed and controlled.

    D. It is the entity responsible for the execution of a company's CSR policy.

53. The standard of corporate governance:

    A. allows select corporations to monitor the ethical conduct of government officials.

    B. plays no role in regulating the ethical behavior of senior executives in an organization.

    C. ensures that officers of an organization fulfill their obligations to their stakeholders.

    D. plays no role in regulating the ethical behavior of employees in an organization.

54. Which of the following is true of the standard of corporate governance?

    A. It is a set of guidelines that has been universally adopted by all business organizations.

    B. It does not ensure that an organization's officers fulfill their obligations to stakeholders.

    C. It focuses on establishing a leadership pipeline for an organization.

    D. It appears to be at its lowest level in recent business history.

55. "Business ethics" is sometimes considered an oxymoron because:

    A. small, new businesses tend to be less honest than large, established businesses.

    B. the recent spate of financial scandals portrays organizations as fundamentally unethical.

    C. the standard of corporate governance has been at its highest level in the last decade.

    D. local businesses tend to have fewer accounting scandals than international businesses.

56. The code of ethics is intended to:

    A. prevent managers and employees from making everyday decisions unsupervised.

    B. guide managers and employees in making sound decisions and choices every day.

    C. liberate the chief executive officer from any constraints placed by the board of directors.

    D. decrease the independence of the board of directors and reduce the power of shareholders.

57. A(n) _____ is defined as a central guide that supports day-to-day decision making at work.

    A. business matrix

    B. code of ethics

    C. internal channel

    D. external channel

58. Which of the following functions does the code of ethics perform?

    A. It clarifies an organization's cornerstones to its employees, managers, and stakeholders.

    B. It allows the board members of an organization to be accountable only to themselves.

    C. It allows chief executive officers unrestrained power in the decision-making process.

    D. It works with the standards of corporate governance to limit employees' independence.

59. Which of the following is true of codes of ethics?

    A. Fewer small businesses adopt a formal code of ethics now than they did in the past.

    B. The codes are structured to empower employees to make effective decisions confidently.

    C. The codes prescribe appropriate courses of action for every business situation in detail.

    D. Fewer international organizations adopt a formal code of ethics now than in the past.

60. As an internal document, the code of ethics should represent a clear guide to _____ in making the decisions and choices they face every day.

    A. managers and employees

    B. competitors and consumers

    C. stockholders and shareholders

    D. retailers and wholesalers

61. Over the last five decades, the issue of corporate social responsibility has advanced from an abstract debate to a core _____ issue with clearly established legal liabilities.

    A. performance-assessment

    B. profit-oriented

    C. internal-relations

    D. profit-minimization

62. Which of the following changes has occurred in the business environment over the last five decades?

    A. The code of ethics has moved from performance-measurement documents to cosmetic public relations documents.

    B. Senior executives of a company are no longer required to be accountable to the board of directors and their stakeholders.

    C. Corporate ethics has moved from the organizational mainstream into the domain of legal and human resource departments.

    D. Corporate social responsibility has advanced from an abstract debate to a core performance-assessment issue.

63. Over the last five decades, corporate ethics has moved from the domain of human resource departments into the _____.

    A. legal department

    B. finance and accounting department

    C. talent management portfolio

    D. organizational mainstream

64. Which of the following is true of corporate ethics?

    A. It has advanced from a core performance-assessment issue to an abstract debate.

    B. It does not require the senior executives of a company to be accountable to stakeholders.

    C. It no longer deals with performance measurement, but with cosmetic public relations.

    D. It has moved from the domain of legal departments into the organizational mainstream.

65. Over the last five decades, codes of ethics have matured from cosmetic public relations documents into _____ documents.

    A. profit-oriented

    B. financial-assessment

    C. performance-measurement

    D. expenditure-maximization

66. Over the last five decades, codes of ethics:

   A. have matured from performance-measurement documents to cosmetic public relations documents.

   B. have been adopted by fewer corporations because employees and managers no longer need guidance.

   C. have been adopted by an increasing number of organizations who share them with all their stakeholders.

   D. have relieved chief executive officers from the control mechanisms used by the board of directors.

67. The _____ of 2002 introduced greater accountability for chief executive officers and boards of directors in signing off on the financial performance records of the organizations they represent.

   A. Comstock Act

   B. Federal Corrupt Practices Act

   C. Sarbanes-Oxley Act

   D. National Banking Act

68. _____ refers to a situation in which there is no obvious right or wrong decision, but rather a right or right answer.

   A. Status Paradox

   B. Freedman's Paradox

   C. Ansoff's Matrix

   D. Ethical Dilemma

69. The _____ principle for resolving an ethical dilemma considers which decision would provide the greatest good for the greatest number of people.

    A. ends-based

    B. rules-based

    C. Golden Rule

    D. Volcker's Rule

70. The _____ principle for resolving an ethical dilemma considers what would happen if everyone made the same decision as you.

    A. rules-based

    B. ends-based

    C. Golden Rule

    D. Volcker's Rule

71. The _____ is the principle for resolving an ethical dilemma that considers doing unto others as you would have them do unto you.

    A. Golden Rule

    B. formative perspective

    C. oscillatory approach

    D. Egocentric Rule

72. Which of the following is true of the three principles for resolving an ethical dilemma?

    A. They predict the behavior of other people involved in the situation.

    B. They don't offer a perfect solution or resolution for every situation.

    C. They need to be applied simultaneously in order to be effective.

    D. They can only be applied to situations involving personal issues.

73. Companies can discourage unethical behavior in their employees by:

    A. disciplining repeat offenders in private.

    B. conducting regular audits and random spot checks.

    C. not adopting a formal code of ethics.

    D. giving their CEOs more power than their boards of directors.

74. The belief that an activity is safe because it will never be found out is a common rationalization behind an employee's unethical conduct. What can an organization do to deter unethical behavior based on this rationalization?

    A. Managers should take punitive action in private.

    B. Managers should punish the individual publicly.

    C. Managers should ideally ignore first-time offenders.

    D. Managers should reprimand the individual discretely.

75. How can companies reduce unethical behavior in their companies?

    A. By disciplining unethical behavior in private

    B. By creating and maintaining a corporate culture of trust

    C. By giving their CEOs more power than their boards of directors

    D. By not conducting audits and spot checks

Fill in the Blank Questions

76. _____ is the application of ethical standards to business behavior.

    _____

77. Business ethics can be approached from two different perspectives. The _____ perspective is a summation of the customs, attitudes, and rules that are observed within a business.

    _____

78. Business ethics can be approached from two different perspectives. The _____ perspective simply documents what is happening.

    _____

79. Business ethics can be approached from two different perspectives. The _____ perspective is the evaluation of the degree to which the observed customs, attitudes, and rules can be said to be ethical.

    _____

80. Business ethics can be approached from two different perspectives. The _____ perspective recommends what should be happening.

    _____

81. Creditors, vendors, customers, suppliers, and wholesalers are all examples of an organization's _____.

    _____

82. The standard of _____ is extent to which the officers of a corporation are fulfilling the duties and responsibilities of their offices to the relevant stakeholders.

    _____

83. _____ is the system that directs and controls business corporations.

    _____

84. According to the _____, a company's code of ethics should be a central guide to support day-to-day decision making at work.

    _____

85. The _____ is a company's written standards of ethical behavior that are designed to guide managers and employees in making the decisions and choices they face every day.

    _____

86. A company's _____ should clarify its cornerstones—its mission, values, and principles—to its managers, employees, and stakeholders.

    _____

87. As a message to its stakeholders, an organization's _____ should represent a clear corporate commitment to the highest standards of ethical behavior.

    _____

88. The issue of corporate social responsibility has advanced from an abstract debate to a core _____ issue with clearly established legal liabilities in the last five decades.

    _____

89. Corporate ethics has moved from the domain of legal and human resource departments into the _____ with the appointment of corporate ethics officers with clear mandates.

    _____

90. Codes of ethics have matured from cosmetic public relations documents into _____ documents that an increasing number of organizations are now committing to share with all their stakeholders.

    _____

91. The 2002 _____ has introduced greater accountability for chief executive officers and boards of directors in signing off on the financial performance records of the organizations they represent.

    _____

92. An _____ is a situation in which there is no obvious right or wrong decision, but rather a right or right answer.

    _____

93. Utilizing the _____ principle to resolve an ethical dilemma involves considering the decision that would provide the greatest good for the greatest number of people.

    _____

94. Utilizing the _____ principle to resolve an ethical dilemma involves considering what would happen if everybody made the same decision as you.

    _____

95. Companies that rely on the deterrents of _____ and spot checks make headway in discouraging unethical behavior.

    _____

Essay Questions

96. What are the perspectives from which business ethics can be approached?

97. What function does an organization's code of ethics perform?

98. Discuss five major changes that have taken place in the business environment over the last five decades.

99. What are the three principles available to resolve an ethical dilemma? Are they always successful?

100. Describe the four commonly held rationalizations, identified by Saul Gellerman, which can lead to misconduct.

Chapter 02 Defining Business Ethics Answer Key

True / False Questions

1. Business ethics involves the application of standards of moral behavior to business situations.
(p. 24)

    <u>TRUE</u>

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Define the term business ethics.

2. Business ethics can be approached from two distinct perspectives: prohibitive and preventative.
(p. 24)

    <u>FALSE</u>

Business ethics can be approached from two distinct perspectives: descriptive and normative.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Define the term business ethics.

3. Business ethics should be applied as a separate set of moral standards or ethical concepts from
(p. 24) general ethics.

    <u>FALSE</u>

    Business ethics should not be applied as a separate set of moral standards or ethical concepts from general ethics. Ethical behavior, it is argued, should be the same both inside and outside a business situation.

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Define the term business ethics.

4. Ethical behavior should be the same both inside and outside a business situation.
(p. 24)

    <u>TRUE</u>

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Define the term business ethics.

5. A stakeholder is someone with a share or interest in a business enterprise.
(p. 24)

    <u>TRUE</u>

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Identify an organization's stakeholders.

6. Not every stakeholder will be relevant in every business situation.
(p. 24)

    <u>TRUE</u>

Blooms: Understand
Difficulty: 2 Medium

7.   Stakeholders include stockholders, employees, and the federal government.
(p. 24)

   <u>TRUE</u>

8.   The interests of wholesalers in an organization include accurate deliveries of quality products
(p. 24) on time and at a reasonable cost.

   <u>TRUE</u>

9.   The interests of creditors in an organization focus specifically on the employment of local
(p. 24) residents and the safety of the work environment.

   <u>FALSE</u>

   The interests of creditors in an organization include repayment of debt according to the agreed schedule and principal and interest payments.

10.   Unethical corporate behavior does not impact a company's stakeholders.

(p. 24-
25)   FALSE

Unethical corporate behavior impacts different stakeholders in different ways.

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Identify an organization's stakeholders.

11.   Unethical corporate behavior could impact a community negatively if it were to lead to an
(p. 25)   economic decline.

TRUE

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Identify an organization's stakeholders.

12.   Corporate governance is the system by which businesses are directed and controlled.
(p. 25)

TRUE

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

13.   The standard of corporate governance is the extent to which the officers of an organization are
(p. 25)   fulfilling the duties and responsibilities of their offices to the relevant stakeholders.

TRUE

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

14. The standard of corporate governance appears to be at the highest in recent business history.
(p. 25)

    <u>FALSE</u>

The standard of corporate governance appears to be at the lowest level in business history. Several prominent organizations (all former "Wall Street darlings")—Enron, WorldCom, Lehman Brothers, Bear Stearns—have been found to have hidden the true state of their precarious finances from their stakeholders.

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

15. An oxymoron is the combination of two facts that mirror and support each other.
(p. 26)

    <u>FALSE</u>

An oxymoron is the combination of two contradictory terms, such as "deafening silence" or "jumbo shrimp."

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

16. The positive outcome of the awareness generated by unethical behavior in the business world
(p. 26) has been increased attention to the need for third-party guarantees of ethical conduct and active commitments from the rest of the business world.

    <u>TRUE</u>

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

17. A company's code of ethics comprises written standards of moral behavior that are designed to
(p. 26) guide managers and employees in making the decisions and choices they face every day.

TRUE

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

18. The Ethics Resource Center defines a code of ethics as a central guide to support day-to-day
(p. 26) decision making at work.

TRUE

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

19. According to the ERC, an organization's cornerstones include its missions, values, and
(p. 26) principles.

TRUE

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

20. The Ethics Resource Center states that a code of ethics should help managers, employees, and
(p. 26) stakeholders understand how an organization's cornerstones translate into everyday decisions,
behaviors, and actions.

TRUE

Blooms: Remember

21.   According to the ERC, a good code of ethics is structured to liberate and empower people to
(p. 27)   make more effective decisions with greater confidence.

   <u>TRUE</u>

22.   As a message to its stakeholders, an organization's code of ethics should represent a clear
(p. 27)   corporate commitment to the highest standards of ethical behavior.

   <u>TRUE</u>

23.   An organization's code of ethics has no relevance to its stakeholders.
(p. 27)

   <u>FALSE</u>

   As a message to its stakeholders, an organization's code of ethics should represent a clear

   corporate commitment to the highest standards of ethical behavior.

24.   An organization's code of ethics has no relevance to its employees.
(p. 27)

FALSE

As an internal document, the code of ethics should represent a clear guide to managers and employees in making the decisions and choices they face every day.

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

25.   An organization's code of ethics does not pertain to the everyday functioning of its managers
(p. 27) and employees.

FALSE

As an internal document, the code of ethics should represent a clear guide to managers and employees in making the decisions and choices they face every day.

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

26.   The issue of corporate social responsibility has advanced from an abstract debate to a core
(p. 28) performance-assessment issue with clearly established legal liabilities.

TRUE

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Summarize the history of business ethics.

27.   Over the last five decades, corporate ethics has shifted from the organizational mainstream into
(p. 28)   the domain of legal and human resource departments.

      FALSE

      Corporate ethics has moved from the domain of legal and human resource departments into
      the organizational mainstream with the appointment of corporate ethics officers with clear
      mandates.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Summarize the history of business ethics.

28.   Codes of ethics have matured from performance-measurement documents into cosmetic
(p. 28)   public relations documents.

      FALSE

      Codes of ethics have matured from cosmetic public relations documents into performance
      measurement documents that an increasing number of organizations are now committing to
      share with all their stakeholders.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Summarize the history of business ethics.

29.   The 2002 Sarbanes-Oxley Act introduced greater accountability for chief executive officers and
(p. 28)   boards of directors in signing off on the financial performance records of the organizations they
      represent.

      TRUE

Blooms: Remember

30. The major ethical dilemma of the 2000s is the employee versus management mentality.
(p. 29)

FALSE

The major ethical dilemma of the 1970s was the employee versus management mentality.

31. International ethics centers that serve the needs of global businesses were formed in the 1960s.
(p. 29)

FALSE

International ethics centers that serve the needs of global businesses were formed in the 2000s.

32. An ethical dilemma is a situation in which there is no obvious right or wrong decision, but
(p. 30) rather a right or right answer.

TRUE

33. Once the type of ethical conflict has been determined, there are two principles by which it can
(p. 31) be resolved: Volcker's Rule and Campbell's Rule.

FALSE

Once the type of ethical conflict has been determined, there are three resolution principles available: ends-based, rules-based, and the Golden Rule.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Identify and propose a resolution for an ethical dilemma in your work environment.

34. Utilizing the ends-based principle to resolve an ethical dilemma necessitates focusing solely on
(p. 31) the decisions that other people in your situation would arrive at.

FALSE

If you utilize the ends-based principle to resolve an ethical dilemma, you would consider which decision would provide the greatest good for the greatest number of people.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Identify and propose a resolution for an ethical dilemma in your work environment.

35.   Utilizing the rules-based principle to resolve an ethical dilemma necessitates focusing
(p. 31)   exclusively on which decision would provide the greatest good for the greatest number of
       people.

       <u>FALSE</u>

       If you utilize the rules-based resolution principle, you would ask what would happen if everyone
       made the same decision as you.

36.   When trying to resolve an ethical dilemma, the Golden Rule principle considers only legal
(p. 31)   aspects of the problem.

       <u>FALSE</u>

       When trying to resolve an ethical dilemma, the Golden Rule resolution principle considers
       doing unto others as you would have them do unto you.

37.   The three principles by which ethical dilemmas are resolved are successful in all situations.
(p. 31)

       <u>FALSE</u>

       None of the three resolution principles can be said to offer a perfect solution or resolution to a
       problem since the reactions of the other people involved in the scenario cannot be predicted.

38. The ethicalness of an activity is determined by the number of people who take the action.
(p. 32)

FALSE

The ethicalness of an activity is not determined by the number of people who take the action.

39. The notion that anything which isn't specifically labeled as wrong must be OK encourages
(p. 32) ethical actions in employees prone to unethical behavior.

FALSE

The notion that anything that isn't specifically labeled as wrong must be OK is an open invitation for the ethically challenged employer and employee.

40. The belief that an activity is safe because it will never be found out or publicized is one of the
(p. 32) commonly held rationalizations, identified by Saul Gellerman, which can lead to unethical behavior.

TRUE

Multiple Choice Questions

41.   ____ is the application of standards of moral behavior to business situations.

(p. 24)

    A. Business structuralism

    B. Business contingence

    <u>C.</u> Business ethics

    D. Business sourcing

42.   Business ethics:

(p. 24)

    <u>A.</u> involves applying ethical and moral standards to business behavior.

    B. should be applied as a separate set of moral standards from general ethics.

    C. deals exclusively with the ethical behavior of stakeholders and shareholders.

    D. can by understood from two perspectives—preventative and prohibitive.

43. Business ethics can be approached from two different perspectives. The _____ perspective is a
(p. 24)   summation of the customs, attitudes, and rules that are observed within a business.

    A. descriptive

    B. normative

    C. preventative

    D. prescriptive

44. Business ethics can be approached from two different perspectives. The _____ perspective
(p. 24)   evaluates the degree to which the observed customs, attitudes, and rules can be considered
ethical.

    A. descriptive

    B. prohibitive

    C. normative

    D. preventative

45.   Which of the following perspectives of business ethics is a simple documentation of what is

(p. 24) happening?

   A. Arbitrative
   B. Normative
   C. Prescriptive
   D. Descriptive

46.   Which of the following perspectives of business ethics is involved in recommending what

(p. 24) should be happening?

   A. Delineative
   B. Normative
   C. Formative
   D. Descriptive

47.   Which of the following is true of business ethics?
(p. 24)

    A. The descriptive dimension of business ethics evaluates the degree to which the observed customs, attitudes, and rules of a business are ethical.

    B. Business ethics should ideally not reflect the ethical concepts of the society within which an organization functions.

    C. The normative dimension of business ethics is a summation of the customs, attitudes, and rules that are observed within a business.

    <u>D.</u> Business ethics should not be applied as a separate set of moral standards or ethical concepts from general ethics.

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Define the term business ethics.

48.   A _____ is defined as someone with a share or interest in a business enterprise.
(p. 24)

    <u>A.</u> stakeholder

    B. moderator

    C. mediator

    D. crossholder

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Identify an organization's stakeholders.

49. Which of the following is true of stakeholders?
(p. 24)

    A. Not every stakeholder is relevant in every business situation.

    B. The stakeholders of an organization are not affected by its unethical behavior.

    C. The cancellation of an organization's dividends has no impact upon stakeholders.

    D. Creditors are not considered the stakeholders of an organization.

50. GeoTransmit, a large multinational telecommunications company, decided to hide the extensive
(p. 24) debt and losses it was accumulating from its investors. Its fraudulent accounting behavior was eventually discovered, however, and the company went bankrupt. Which of the following is true of GeoTransmit and its stakeholders?

    A. The different stakeholders of GeoTransmit will be affected in different ways.

    B. Geotransmit's decision to hide its losses from investors will not impact the economy.

    C. None of GeoTransmit's stakeholders will be affected adversely by its decision.

    D. GeoTransmit's decision to hide its losses from investors cannot be considered unethical.

51.   ____ is the system that directs and controls business organizations.

(p. 25)

    A. Business structuralism

    B. Organizational resonance

    C. Retail optimization

    D. Corporate governance

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

52.   Which of the following is true of corporate governance?

(p. 25)

    A. It plays no role in enforcing ethical behavior in the workplace.

    B. It is the process by which the government nationalizes corporations.

    C. It is the system by which business corporations are directed and controlled.

    D. It is the entity responsible for the execution of a company's CSR policy.

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

53.   The standard of corporate governance:

(p. 25)

    A. allows select corporations to monitor the ethical conduct of government officials.

    B. plays no role in regulating the ethical behavior of senior executives in an organization.

    C. ensures that officers of an organization fulfill their obligations to their stakeholders.

    D. plays no role in regulating the ethical behavior of employees in an organization.

Blooms: Understand
Difficulty: 2 Medium

54.   Which of the following is true of the standard of corporate governance?
(p. 25)

      A. It is a set of guidelines that has been universally adopted by all business organizations.

      B. It does not ensure that an organization's officers fulfill their obligations to stakeholders.

      C. It focuses on establishing a leadership pipeline for an organization.

      <u>D.</u> It appears to be at its lowest level in recent business history.

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

55.   "Business ethics" is sometimes considered an oxymoron because:
(p. 26)

      A. small, new businesses tend to be less honest than large, established businesses.

      <u>B.</u> the recent spate of financial scandals portrays organizations as fundamentally unethical.

      C. the standard of corporate governance has been at its highest level in the last decade.

      D. local businesses tend to have fewer accounting scandals than international businesses.

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

56. The code of ethics is intended to:

    A. prevent managers and employees from making everyday decisions unsupervised.

    B. guide managers and employees in making sound decisions and choices every day.

    C. liberate the chief executive officer from any constraints placed by the board of directors.

    D. decrease the independence of the board of directors and reduce the power of shareholders.

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

57. A(n) _____ is defined as a central guide that supports day-to-day decision making at work.

    A. business matrix

    B. code of ethics

    C. internal channel

    D. external channel

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

58. Which of the following functions does the code of ethics perform?

    A. It clarifies an organization's cornerstones to its employees, managers, and stakeholders.

    B. It allows the board members of an organization to be accountable only to themselves.

    C. It allows chief executive officers unrestrained power in the decision-making process.

    D. It works with the standards of corporate governance to limit employees' independence.

Blooms: Understand
Difficulty: 2 Medium

59.   Which of the following is true of codes of ethics?
(p. 27)

      A. Fewer small businesses adopt a formal code of ethics now than they did in the past.

      B. The codes are structured to empower employees to make effective decisions confidently.

      C. The codes prescribe appropriate courses of action for every business situation in detail.

      D. Fewer international organizations adopt a formal code of ethics now than in the past.

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

60.   As an internal document, the code of ethics should represent a clear guide to _____ in making
(p. 27)   the decisions and choices they face every day.

      A. managers and employees

      B. competitors and consumers

      C. stockholders and shareholders

      D. retailers and wholesalers

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

61. Over the last five decades, the issue of corporate social responsibility has advanced from an
(p. 28) abstract debate to a core ____ issue with clearly established legal liabilities.

    <u>A.</u> performance-assessment

    B. profit-oriented

    C. internal-relations

    D. profit-minimization

62. Which of the following changes has occurred in the business environment over the last five
(p. 28) decades?

    A. The code of ethics has moved from performance-measurement documents to cosmetic public relations documents.

    B. Senior executives of a company are no longer required to be accountable to the board of directors and their stakeholders.

    C. Corporate ethics has moved from the organizational mainstream into the domain of legal and human resource departments.

    <u>D.</u> Corporate social responsibility has advanced from an abstract debate to a core performance-assessment issue.

63. Over the last five decades, corporate ethics has moved from the domain of human resource
(p. 28) departments into the _____.

    A. legal department

    B. finance and accounting department

    C. talent management portfolio

    D. organizational mainstream

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Summarize the history of business ethics.

64. Which of the following is true of corporate ethics?
(p. 28)

    A. It has advanced from a core performance-assessment issue to an abstract debate.

    B. It does not require the senior executives of a company to be accountable to stakeholders.

    C. It no longer deals with performance measurement, but with cosmetic public relations.

    D. It has moved from the domain of legal departments into the organizational mainstream.

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Summarize the history of business ethics.

65. Over the last five decades, codes of ethics have matured from cosmetic public relations
(p. 28) documents into _____ documents.

    A. profit-oriented

    B. financial-assessment

    <u>C.</u> performance-measurement

    D. expenditure-maximization

66. Over the last five decades, codes of ethics:
(p. 28)

    A. have matured from performance-measurement documents to cosmetic public relations documents.

    B. have been adopted by fewer corporations because employees and managers no longer need guidance.

    <u>C.</u> have been adopted by an increasing number of organizations who share them with all their stakeholders.

    D. have relieved chief executive officers from the control mechanisms used by the board of directors.

67. The ____ of 2002 introduced greater accountability for chief executive officers and boards of
(p. 28) directors in signing off on the financial performance records of the organizations they
represent.

    A. Comstock Act

    B. Federal Corrupt Practices Act

    <u>C.</u> Sarbanes-Oxley Act

    D. National Banking Act

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Summarize the history of business ethics.

68. ____ refers to a situation in which there is no obvious right or wrong decision, but rather a right
(p. 30) or right answer.

    A. Status Paradox

    B. Freedman's Paradox

    C. Ansoff's Matrix

    <u>D.</u> Ethical Dilemma

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Identify and propose a resolution for an ethical dilemma in your work environment.

69. The _____ principle for resolving an ethical dilemma considers which decision would provide the
(p. 31) greatest good for the greatest number of people.

    <u>A.</u> ends-based

    B. rules-based

    C. Golden Rule

    D. Volcker's Rule

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Identify and propose a resolution for an ethical dilemma in your work environment.

70. The _____ principle for resolving an ethical dilemma considers what would happen if everyone
(p. 31) made the same decision as you.

    <u>A.</u> rules-based

    B. ends-based

    C. Golden Rule

    D. Volcker's Rule

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Identify and propose a resolution for an ethical dilemma in your work environment.

71. The ____ is the principle for resolving an ethical dilemma that considers doing unto others as
(p. 31) you would have them do unto you.

A. Golden Rule

B. formative perspective

C. oscillatory approach

D. Egocentric Rule

72. Which of the following is true of the three principles for resolving an ethical dilemma?
(p. 31)

A. They predict the behavior of other people involved in the situation.

B. They don't offer a perfect solution or resolution for every situation.

C. They need to be applied simultaneously in order to be effective.

D. They can only be applied to situations involving personal issues.

73. Companies can discourage unethical behavior in their employees by:
(p. 32-
33)

A. disciplining repeat offenders in private.

B. conducting regular audits and random spot checks.

C. not adopting a formal code of ethics.

D. giving their CEOs more power than their boards of directors.

74. The belief that an activity is safe because it will never be found out is a common rationalization
(p. 32-33) behind an employee's unethical conduct. What can an organization do to deter unethical behavior based on this rationalization?

    A. Managers should take punitive action in private.

    B. Managers should punish the individual publicly.

    C. Managers should ideally ignore first-time offenders.

    D. Managers should reprimand the individual discretely.

75. How can companies reduce unethical behavior in their companies?
(p. 34)

    A. By disciplining unethical behavior in private

    B. By creating and maintaining a corporate culture of trust

    C. By giving their CEOs more power than their boards of directors

    D. By not conducting audits and spot checks

Fill in the Blank Questions

76.   ____ is the application of ethical standards to business behavior.
(p. 24)

     <u>Business ethics</u>

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Define the term business ethics.

77.   Business ethics can be approached from two different perspectives. The ____ perspective is a
(p. 24)   summation of the customs, attitudes, and rules that are observed within a business.

     <u>descriptive</u>

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Define the term business ethics.

78.   Business ethics can be approached from two different perspectives. The ____ perspective
(p. 24)   simply documents what is happening.

     <u>descriptive</u>

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Define the term business ethics.

79.   Business ethics can be approached from two different perspectives. The ____ perspective is the
(p. 24)   evaluation of the degree to which the observed customs, attitudes, and rules can be said to be
      ethical.

     <u>normative (or prescriptive)</u>

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Define the term business ethics.

80. Business ethics can be approached from two different perspectives. The ____ perspective
(p. 24) recommends what should be happening.

normative (or prescriptive)

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Define the term business ethics.

81. Creditors, vendors, customers, suppliers, and wholesalers are all examples of an organization's
(p. 24) ____.

stakeholders

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Identify an organization's stakeholders.

82. The standard of ____ is extent to which the officers of a corporation are fulfilling the duties and
(p. 25) responsibilities of their offices to the relevant stakeholders.

corporate governance

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

83. ____ is the system that directs and controls business corporations.
(p. 25)

Corporate governance

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

84.   According to the ____, a company's code of ethics should be a central guide to support day-
(p. 26) to-day decision making at work.

Ethics Resource Centre

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

85.   The ____ is a company's written standards of ethical behavior that are designed to guide
(p. 26) managers and employees in making the decisions and choices they face every day.

code of ethics

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

86.   A company's ____ should clarify its cornerstones—its mission, values, and principles—to its
(p. 26) managers, employees, and stakeholders.

code of ethics

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

87.   As a message to its stakeholders, an organization's ____ should represent a clear corporate
(p. 27) commitment to the highest standards of ethical behavior.

code of ethics

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

88. The issue of corporate social responsibility has advanced from an abstract debate to a core
(p. 28) ____ issue with clearly established legal liabilities in the last five decades.

performance-assessment

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Summarize the history of business ethics.

89. Corporate ethics has moved from the domain of legal and human resource departments into
(p. 28) the ____ with the appointment of corporate ethics officers with clear mandates.

organizational mainstream

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Summarize the history of business ethics.

90. Codes of ethics have matured from cosmetic public relations documents into ____ documents
(p. 28) that an increasing number of organizations are now committing to share with all their
stakeholders.

performance-measurement

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Summarize the history of business ethics.

91. The 2002 ____ has introduced greater accountability for chief executive officers and boards of
(p. 28) directors in signing off on the financial performance records of the organizations they
represent.

Sarbanes-Oxley Act

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Summarize the history of business ethics.

92. An ____ is a situation in which there is no obvious right or wrong decision, but rather a right or
(p. 30) right answer.

ethical dilemma

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Identify and propose a resolution for an ethical dilemma in your work environment.

93. Utilizing the ____ principle to resolve an ethical dilemma involves considering the decision that
(p. 31) would provide the greatest good for the greatest number of people.

ends-based

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Identify and propose a resolution for an ethical dilemma in your work environment.

94. Utilizing the ____ principle to resolve an ethical dilemma involves considering what would
(p. 31) happen if everybody made the same decision as you.

rules-based

Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-05 Identify and propose a resolution for an ethical dilemma in your work environment.

95. Companies that rely on the deterrents of _____ and spot checks make headway in discouraging unethical behavior.

(p. 32-33)

audits

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Explain how executives and employees seek to justify unethical behavior.

Essay Questions

96. What are the perspectives from which business ethics can be approached?

(p. 24)

Business ethics can be approached from two distinct perspectives: descriptive and normative.

i) The descriptive perspective is a summation of the customs, attitudes, and rules that are observed within a business. It simply documents what is happening.
ii) The normative (or prescriptive) perspective evaluates the degree to which the observed customs, attitudes, and rules can be said to be ethical. It is concerned with recommending what should be happening.

Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-01 Define the term business ethics.

97.   What function does an organization's code of ethics perform?

(p. 27)

A code of ethics serves a dual function. As a message to an organization's stakeholders, the code should represent a clear corporate commitment to the highest standards of ethical behavior. As an internal document, the code should represent a clear guide to managers and employees in making the decisions they face every day. A good code of ethics should be structured to liberate and empower people to make more effective decisions with greater confidence.

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Discuss the position that business ethics is an oxymoron.

98. Discuss five major changes that have taken place in the business environment over the last five
(p. 28) decades.

The five major changes that have taken place in the business environment over the last five decades are:

i) The increased presence of an employee voice has made individual employees feel more comfortable speaking out against actions of their employers that they feel to be irresponsible or unethical. They are also more willing to seek legal resolution for such issues as unsafe working conditions, harassment, discrimination, and invasion of privacy.
ii) The issue of corporate social responsibility has advanced from an abstract debate to a core performance-assessment issue with clearly established legal liabilities.
iii) Corporate ethics has moved from the domain of legal and human resource departments into the organizational mainstream with the appointment of corporate ethics officers with clear mandates.
iv) Codes of ethics have matured from cosmetic public relations documents into performance measurement documents that an increasing number of organizations are now committing to share with all their stakeholders.
v) The 2002 Sarbanes-Oxley Act has introduced greater accountability for chief executive officers and boards of directors in signing off on the financial performance records of the organizations they represent.

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Summarize the history of business ethics.

99.   What are the three principles available to resolve an ethical dilemma? Are they always

(p. 31)   successful?

The three resolution principles available are:

i) Ends-based: This principle considers the decision which would provide the greatest good for the greatest number of people.

ii) Rules-based: This principle considers what would happen if everyone made the same decision as you.

iii) The Golden Rule: This considers doing unto others as you would have them do unto you.

None of these principles can be said to offer a perfect solution or resolution to a problem since the reactions of other people involved in the scenario cannot be predicted.

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Identify and propose a resolution for an ethical dilemma in your work environment.

100.   Describe the four commonly held rationalizations, identified by Saul Gellerman, which can lead
(p. 32-   to misconduct.
33)

The four commonly held rationalizations, identified by Saul Gellerman, which can lead to misconduct are:

i) A belief that the activity is within reasonable ethical and legal limits—that is, that it is not "really" illegal or immoral
ii) A belief that the activity is in the individual's or the corporation's best interests—that the individual would somehow be expected to undertake the activity
iii) A belief that the activity is safe because it will never be found out or publicized—the classic crime-and punishment issue of discovery
iv) A belief that because the activity helps the company, the company will condone it and even protect the person who engages in it

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Explain how executives and employees seek to justify unethical behavior.