

CHAPTER 2

BUSINESS ETHICS AND SOCIAL RESPONSIBILITY

CHAPTER LEARNING OBJECTIVES

LO 2.1 Explain the concepts of business ethics and social responsibility.

Business ethics are the standards of conduct and moral values that businesspeople rely on to guide their actions and decisions in the workplace. Businesspeople must consider a wide range of social issues when making decisions. Social responsibility is management's acceptance of the obligation to put an equal value on profit, consumer satisfaction, and societal well-being when evaluating the firm's performance.

LO 2.2 Describe the factors that influence business ethics.

Many factors shape individual ethics, including personal experience, peer pressure, and organizational culture. Individual ethics are also influenced by family, cultural, and religious standards. The culture of the workplace can also be a factor.

LO 2.3 Discuss how organizations shape ethical behaviour.

Conflicts of interest occur when an action that benefits one person may harm another person. For example, a businessperson's own interests may conflict with the interests of a customer. Honesty and integrity are valued qualities that lead to trust, but a person's immediate self-interest may lead to actions that go against these principles. Loyalty to an employer sometimes conflicts with being truthful. When misconduct occurs in the workplace, some employees may think about being whistle-blowers, but the personal costs may be high. Employees are strongly influenced by the standards of conduct already set up and supported in their workplace. Businesses can help shape ethical behaviour by using codes of conduct that define what they expect from employees. Organizations can also use this training to develop employees' ethics awareness and reasoning. Employers can promote ethical action by providing decision-making tools, supporting goals that are consistent with ethical behaviour, and by setting up advice hotlines. Executives must also provide ethical leadership by showing ethical behaviour in all their decisions and actions.

LO 2.4 Describe how businesses can act responsibly to satisfy society.

Today's businesses are expected to weigh two things: their qualitative impact on consumers and society and their quantitative economic contributions in terms of sales, employment levels, and profits. Social responsibility can be measured by charitable contributions and compliance with labour laws and consumer protection laws. Some businesses choose to conduct social audits. Public-interest groups also create standards for measuring companies' performance. A business's responsibilities to the general public include protecting public health and the environment and developing the quality of the workforce. Some also argue that businesses have a social responsibility to support charitable and social causes in the communities where they earn profits. Businesses must also treat customers fairly and protect consumers. Businesses do this by upholding

consumers' rights to be safe, to be informed, to choose, and to be heard) Businesses have wide-ranging responsibilities to their employees. They need to ensure that the workplace is safe, address quality-of-life issues, ensure equal opportunity, and prevent sexual harassment and other forms of discrimination.

LO 2.5 Explain the ethical responsibilities of businesses to investors and the financial community.

Investors and the financial community demand that businesses behave ethically and legally in their handling of financial transactions. Businesses must be honest in reporting their profits and financial performance to avoid misleading investors. Provincial securities regulators investigate suspicions that publicly traded firms have engaged in unethical or illegal financial behaviour.

TRUE-FALSE STATEMENTS

1. Social and ethical issues are a bigger concern in smaller companies than larger companies.

Answer: False

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

2. Organizations wishing to prosper cannot do so without considering business ethics.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

3. Fundamentally, a business is responsible only to its customers and investors.

Answer: False

Bloomcode: Application

Difficulty: Medium

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

4. Companies that put profits ahead of safety are using a stakeholder model of business ethics.

Answer: False

Bloomcode: Application

Difficulty: Hard

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

5. Businesses must find a balance between doing what is right and doing what is

profitable.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

6. Setting appropriate ethical standards is a fairly straightforward task for most managers.

Answer: False

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

7. James, a final year business student in your school, argues that a company's responsibility to society, and its responsibility to remain profitable, are mutually exclusive. Is this statement true or false?

Answer: False

Bloomcode: Knowledge

Difficulty: Hard

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

8. Society's forces, such as demonstrations against a company's product or service, could shape the actions that businesses take. True or false?

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

9. Over the long term, society can give power to a business or take that power away, if the business operates outside the expectations of stakeholders. True or false?

Answer: True

Bloomcode: Application

Difficulty: Medium

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

10. The Sarbanes-Oxley Act requires that each member of a firm's Board of Directors certify the truthfulness of financial statements.

Answer: False

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

11. Teresa discovered unlawful conduct at her company and notified authorities. Under the Sarbanes-Oxley Act of 2002, anyone who retaliates against Teresa can be prosecuted.

Answer: True

Bloomcode: Application

Difficulty: Hard

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

12. The legal requirements of the Sarbanes-Oxley Act vary from state to state.

Answer: False

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

13. Individual employees have a major influence over ethical expectations and behaviour.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

14. An individual employee acting ethically will have little influence on his or her coworkers.

Answer: False

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

15. Technology has expanded the range and impact of unethical behaviour.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Technology

16. Some employees rationalize questionable or unethical behaviour by saying, "Everyone does it."

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

17. Bill 198 of 2003 is the Canadian version of the Sarbanes-Oxley Act of 2002.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

18. Some people engage in activities that are contrary to their personal and moral values because they feel pressured by their jobs.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

19. A recent study found that 49 percent of employees surveyed “witnessed misconduct on the job” in 2009, an increase over 2007.

Answer: False

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

20. Walmart’s survey of its suppliers about their sustainability practices was a first step in developing a “sustainability index”.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

21. It is NOT always easy to distinguish between right and wrong in many business situations.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

22. On-the-job ethical dilemmas are very rare but can be quite significant.

Answer: False

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

23. An advertising agency representing two companies that compete with one another has an obvious conflict of interest.

Answer: True

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

24. A conflict of interest exists when a person is faced with a decision in which an action will harm one individual or group while benefiting another.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

25. A real estate agent who represents both the buyer and seller most likely faces a conflict of interest.

Answer: True

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

26. The only safe way to handle a potential conflict of interest is to avoid situations in which one might occur.

Answer: False

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

27. Integrity goes beyond truthfulness.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

28. Adhering to deeply felt ethical principles in business situations is known as loyalty.

Answer: False

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

29. Employers expect employees to generally act in the best interests of the organization.

Answer: True

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

30. In the real world of business, loyalty and honesty rarely conflict with one another.

Answer: False

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

31. Employees should always be loyal, regardless of the situation.

Answer: False

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

32. An employee who “goes public” with evidence of improper actions by his or her employer is known as a whistle-blower.

Answer: True

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

33. Whistle-blowers always act out of self-interest.

Answer: False

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

34. Loyal employees would never be whistle-blowers.

Answer: False

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

35. In order to be ethical, employees should be loyal to their employers under all circumstances. True or false?

Answer: False

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

36. Business education in colleges and universities plays the primary role in developing the ethical standards of future business leaders. True or false?

Answer: False

Bloomcode: Knowledge

Difficulty: Hard

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

37. Ethics compliance officers are responsible for conducting employee training programs that help identify potential fraud and abuse within the firm, investigating sexual harassment and discrimination charges, and monitoring any potential conflicts of interest.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

38. A code of conduct is a formal document that identifies and evaluates all company activities related to social issues, such as conservation, employment practices, environmental protection, and philanthropy.

Answer: False

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

39. If companies provide a code of conduct and ethical training, there is no need to hire a compliance officer or to provide an anonymous employee hotline to report unethical behaviour they have witnessed.

Answer: False

Bloomcode: Application

Difficulty: Medium

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

40. One of the first steps in the establishment of sound business ethics is to help employees identify ethical problems when they occur.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

41. Formally stating that employees must NOT discriminate on the basis of race, gender, or age in their dealings with customers is something that could be found in a company code of conduct.

Answer: True

Bloomcode: Application

Difficulty: Medium

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Diversity

42. A code of conduct rarely goes beyond stating the rules, laws, and regulations employees are expected to follow.

Answer: False

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

43. A code of conduct is part of the ethical awareness stage of ethical development.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct
AACSB: Ethics

44. Many ethical dilemmas involve gray areas that may require individuals to sort through several courses of actions, each with its own set of consequences.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

45. A manager who doubles employee performance goals every quarter most likely will see an increase in the number of ethically questionable actions by employees.

Answer: True

Bloomcode: Application

Difficulty: Medium

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

46. If managers and supervisors fail to show ethical leadership, it is unrealistic to expect employees to behave ethically.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

47. A company's CEO alone determines the ethical climate of the business.

Answer: False

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

48. When businesses fail to operate in an acceptable manner, the law must step in to enforce good business practice. True or false?

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

49. A company's ethical training for employees should always be developed and conducted in house. True or false?

Answer: False

Bloomcode: Knowledge

Difficulty: Hard

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

50. Halting the production and sale of a potentially dangerous product, even if it hurts profits, is an example of ethical behaviour.

Answer: True

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

51. Starbucks' effort to go green with recyclable cups is an example of social responsibility.

Answer: True

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

52. Social responsibility is management's acceptance of the obligation to consider societal well-being and consumer satisfaction as being equally important as profit when evaluating the firm's performance.

Answer: True

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

53. The primary social responsibility of a company is to its customers.

Answer: False

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

54. Many electric products contain toxins such as lead and mercury and are difficult to reuse or recycle.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

55. A social audit is used to measure a company's social responsibility performance.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

56. External groups often conduct their own evaluations of businesses, but firms typically ignore these reports in favour of internal evaluations.

Answer: False

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.
Section Reference: Acting Responsibly to Satisfy Society
AACSB: Reflective Thinking

57. Social audits conducted internally are of no value because they are always biased in favour of the company.

Answer: False

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe how businesses can act responsibly to satisfy society.
Section Reference: Acting Responsibly to Satisfy Society
AACSB: Ethics

58. Although social responsibility in a business is commendable, most companies are NOT judged by their interactions within the community.

Answer: False

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe how businesses can act responsibly to satisfy society.
Section Reference: Acting Responsibly to Satisfy Society
AACSB: Ethics

59. Social audits are informal business surveys that report customer satisfaction with a company's products.

Answer: False

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe how businesses can act responsibly to satisfy society.
Section Reference: Acting Responsibly to Satisfy Society
AACSB: Ethics

60. Corporate philanthropy is the notion that businesses should give back to the communities where they earn their profits.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe how businesses can act responsibly to satisfy society.
Section Reference: Acting Responsibly to Satisfy Society
AACSB: Ethics

61. Helping employees stop smoking is an example of a social responsibility revolving around public health.

Answer: True

Bloomcode: Application

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

62. Environmental issues have become more important concerns of the public in recent years.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

63. Hewlett-Packard's use of new and recycled plastics in the manufacture of its scanners is an example of acting responsibly to satisfy societal demands.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Analytic

64. A "green" product that claims to be environmentally friendly must be substantiated in accordance with guidelines presented by the Competition Bureau of Canada.

Answer: True

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Analytic

65. The gap between what workers with college degrees earn and what those with high

school degrees earn has decreased in recent years.

Answer: False

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Analytic

66. Paying corporate taxes is an example of corporate philanthropy.

Answer: False

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

67. Consumerism is the concept that business must give consideration to employee wants and needs.

Answer: False

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Analytic

68. One goal of consumerism is for consumers to have access to enough education and production information to make responsible purchase decisions.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Analytic

69. Employers have a responsibility to their employees to provide a safe working environment.

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Analytic

70. Lauren complained to her employer about a sexually explicit calendar hanging on her co-worker's wall. Her employer must ask the co-worker to remove the calendar in order to avoid a claim of sexual harassment.

Answer: True

Bloomcode: Application

Difficulty: Hard

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

71. Sexual harassment is divided into two categories: pressure to comply with unwelcome advances for job security and a hostile work environment.

Answer: True

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

72. Practicing sound business ethics automatically makes a company's operations sustainable. True or false?

Answer: False

Bloomcode: Application

Difficulty: Hard

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

73. If employees of Patagonia are paid by the company to volunteer their time and skills in community activities, then the company is engaging in corporate philanthropy. True or false?

Answer: True

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

74. All publicly traded companies consistently set and meet high ethical standards.

Answer: False

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Explain the ethical responsibilities of businesses to investors and the financial community.

Section Reference: Responsibilities to Investors and the Financial Community

AACSB: Ethics

75. Investors are generally unconcerned with whether a company is behaving ethically; instead, they only focus on whether or NOT it is making a profit.

Answer: False

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Explain the ethical responsibilities of businesses to investors and the financial community.

Section Reference: Responsibilities to Investors and the Financial Community

AACSB: Ethics

76. Companies which fail to follow high ethical standards often see their stock prices drop.

Answer: True

Bloomcode: Application

Difficulty: Medium

Learning Objective: Explain the ethical responsibilities of businesses to investors and the financial community.

Section Reference: Responsibilities to Investors and the Financial Community

AACSB: Ethics

77. When firms fail to be socially responsible, thousands of investors can suffer. True or false?

Answer: True

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Explain the ethical responsibilities of businesses to investors and the financial community.

Section Reference: Responsibilities to Investors and the Financial Community

AACSB: Ethics

78. Money spent on social responsibility activities belongs to a company's shareholders and should NOT be used as such. This statement is an argument against social responsibility. True or false?

Answer: True

Bloomcode: Knowledge

Difficulty: Hard

Learning Objective: Explain the ethical responsibilities of businesses to investors and the financial community.

Section Reference: Responsibilities to Investors and the Financial Community

AACSB: Ethics

MULTIPLE CHOICE QUESTIONS

79. A company removes a profitable product from the market because it may be dangerous. This company is demonstrating ____.

- a) ethical behaviour
- b) green marketing
- c) conflict of interest
- d) social welfare

Answer: a

Bloomcode: Application

Difficulty: Medium

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

80. Business ethics begins with ____.

- a) the individual employee
- b) the government
- c) a firm's investors
- d) a firm's customers

Answer: a

Bloomcode: Application

Difficulty: Medium

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

81. When management considers social and economic issues in decision making, the company is practicing ____.

- a) business ethics
- b) social responsibility
- c) consumerism
- d) social welfare

Answer: b

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

82. Businesses have responsibilities to ____.
- a) investors only
 - b) investors and customers
 - c) investors, customers, and employees
 - d) investors, customers, employees, and society

Answer: d

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

83. Which of the following statements best justifies why a company should act in an ethical manner?
- a) The government will take action if a firm fails to act ethically.
 - b) Acting ethically always maximizes profits in the short run.
 - c) Acting ethically will help a company to prosper in the long run.
 - d) The right thing to do is always the least expensive alternative.

Answer: c

Bloomcode: Application

Difficulty: Hard

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

84. Businesses should ____.
- a) do what is right regardless of profits
 - b) find the balance between doing what is right and what is profitable
 - c) do whatever is profitable
 - d) do whatever is in the company's best interests

Answer: b

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

85. Which of the following statements is correct?
- a) Setting ethical standards is easy.
 - b) Setting ethical standards is always clear-cut.
 - c) Doing what is right can sometimes be difficult.

d) Social and ethical problems affect only a few companies.

Answer: c

Bloomcode: Application

Difficulty: Easy

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

86. Companies that adhere to high ethical standards ____.

- a) often make poorer investments in the long run
- b) often make better investments in the long run
- c) always make higher profits
- d) always make lower profits

Answer: b

Bloomcode: Application

Difficulty: Medium

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

87. ____ refers to the way in which a business tries to balance its commitments to ____.

- a) Business ethics; organizational stakeholders and society as a whole
- b) Corporate social responsibility; organizational stakeholders and society as a whole
- c) Business ethics; investors
- d) Corporate social responsibility; the government

Answer: b

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

88. According to Maclean's Magazine, Tim Hortons demonstrates exceptional social responsibility by

- a) giving out free coffee to customers.
- b) sending promotional emails to customers.
- c) diverting 80% of its waste from landfills.
- d) providing financial literacy programs to students.

Answer: c

Bloomcode: Application

Difficulty: Medium

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

89. In today's business environment, who can make the difference in ethical expectations and behaviour?

- a) everyone
- b) no one
- c) only top-level managers
- d) only the CEO

Answer: a

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

90. Conflicts of interest can be handled ethically by

- a) disclosing them.
- b) ignoring them.
- c) hiding them.
- d) doing what everyone else in the organization does in similar situations.

Answer: a

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

91. ___ are responsible for conducting employee training programs that help spot potential fraud and abuse within a firm.

- a) Ethics compliance officers
- b) Social behaviourists
- c) Human Resource managers
- d) Department supervisors

Answer: a

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

92. Which of the following is NOT an example of unethical or illegal acts in the workplace?

- a) safety violations
- b) Internet abuse
- c) misreporting time on the job
- d) whistle-blowing

Answer: d

Bloomcode: Knowledge

Difficulty: Hard

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

93. Technology has ___ ethical issues.

- a) expanded the range of
- b) reduced the range of
- c) made little difference on the range of
- d) eliminated most

Answer: a

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Technology

94. Which of the following is NOT a factor in determining an individual's ethical development?

- a) experiences
- b) religion
- c) culture
- d) social audit

Answer: d

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Communication

95. Many people rationalize unethical acts because they ____.

- a) know they can get away with it
- b) are fundamentally unethical
- c) have no personal or moral values
- d) feel pressured on their jobs to meet performance goals

Answer: d

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

96. Sofia is an investment advisor and wants to recommend a stock she happens to own. How should Sofia best deal with this potential conflict of interest?

- a) She should not make the recommendation.
- b) She should make a negative recommendation.
- c) She should disclose the fact that she owns the stock while making the recommendation.
- d) She should make a positive recommendation and then sell the stock.

Answer: c

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

97. Tanisha is a diabetes educator at a local clinic. Recently, she was offered a lavish trip by a sales representative who has been pushing the clinic to use his company's diabetes supplies. Tanisha declined the gift. Which ethical challenge did she face?

- a) whistle-blowing
- b) honesty and integrity
- c) cultural consequences
- d) conflict of interest

Answer: d

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

98. How should a businessperson deal with a conflict of interest?

- a) Ignore it.
- b) Send an email to his/her manager.
- c) Disclose it or avoid it.
- d) Report it only to close friends.

Answer: c

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

99. Outside auditors are examining your company's financial records. You know there may be an error and will tell them about it but only if they ask. They do NOT ask. In this scenario, your ____ could be questioned.

- a) loyalty
- b) truthfulness
- c) integrity
- d) social responsibility

Answer: c

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

100. During a meeting with government regulators, Nicole voluntarily points out a potential problem with a new product her company is testing. Nicole has shown ____.

- a) honesty
- b) loyalty
- c) truthfulness
- d) integrity

Answer: d

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

101. Bob takes responsibility for an error made by his assistant on a project. Bob has shown ____.

- a) integrity

- b) honesty
- c) truthfulness
- d) loyalty

Answer: a

Bloomcode: Application

Difficulty: Easy

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

102. Embellishing your résumé shows a lack of ____ and ____.

- a) honesty and loyalty
- b) honesty and integrity
- c) integrity and loyalty
- d) competence and loyalty

Answer: b

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

103. ____ goes beyond truthfulness.

- a) Honesty
- b) Loyalty
- c) Integrity
- d) Competence

Answer: c

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

104. Harold knows of a defect in a product his company sells. He will disclose the defect but only if the customer specifically asks about it. Harold's ____ could be called into question.

- a) loyalty
- b) truthfulness
- c) integrity
- d) whistle-blowing

Answer: c

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

105. Mica learns that her company is secretly dumping untreated waste into the city sewer systems, and she informs the local EPA office. All of the following describe Mica's ethical situation EXCEPT

- a) she is acting as a whistle-blower.
- b) she has a conflict of interest.
- c) she is showing integrity.
- d) she is showing loyalty.

Answer: d

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

106. Your supervisor asks you to conceal information from outside auditors examining the company's financial records. What is your ethical challenge?

- a) loyalty versus truth
- b) conflict of interest
- c) honesty and integrity
- d) You have no ethical challenge.

Answer: a

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

107. Mike was a foreman at Hi-Way Construction and discovered his company was deliberately using faulty materials for a project. Although Mike was worried about his family's financial security if he lost his job, he went to authorities and informed them of the potentially dangerous construction. Mike's action is called ____.

- a) ethical compliance
- b) good intentions
- c) whistle-blowing

d) ethical allegations

Answer: c

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

108. ___ is a U.S. federal legislation designed to deter and punish corporate and accounting fraud and corruption. It is also meant to protect the interest of workers and shareholders by requiring enhanced financial disclosures.

- a) Americans with Disabilities Act
- b) Sarbanes-Oxley Act
- c) Consumer Rights Act
- d) Title VII

Answer: b

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

109. C-SOX, which is the Canadian version of the Sarbanes-Oxley Act, is also known as

- a) The Canadian Ethics Act.
- b) The Ethics Commission of Canada.
- c) Bill 2003.
- d) Bill 198.

Answer: d

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

110. According to business journalist Suzy Welch, a person who suspects unethical behaviour in the office should do the following: gather all the facts and determine if the situation is an ethical dilemma. If it is really an ethical dilemma, she proposes that the person should

- a) contact the board of directors of the company.
- b) talk to the parties involved in the dilemma.
- c) seek advice from a trusted friend outside the company.
- d) make a decision without consulting anyone.

Answer: c

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

111. The foundation of an ethical climate is

- a) ethical leadership.
- b) ethical action.
- c) ethical awareness.
- d) ethical reasoning.

Answer: c

Bloomcode: Application

Difficulty: Medium

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

112. A Code of Ethics best contributes to

- a) ethical leadership.
- b) ethical action.
- c) ethical reasoning.
- d) ethical awareness.

Answer: d

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

113. An employee hotline, a telephone number that employees can call anonymously for advice or to report unethical behaviour they have seen, is intended to support

- a) ethical leadership.
- b) ethical reasoning.
- c) ethical action.
- d) ethical awareness.

Answer: c

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

114. Development of a corporate culture to support business ethics occurs on each of the following levels EXCEPT ethical ____.

- a) leadership
- b) awareness
- c) success
- d) reasoning

Answer: c

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

115. A formal statement that defines how the organization expects and requires employees to resolve ethical questions is ____.

- a) a code of conduct
- b) an organizational culture
- c) social responsibility statement
- d) an ethical environmental statement

Answer: a

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

116. Which of the following can improve ethical reasoning in a company?

- a) whistle-blowing
- b) practical training sessions
- c) mission statement
- d) organizational culture

Answer: b

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

117. Macrohard, Inc. provides support for employees faced with ethical dilemmas. An ethics officer is available in the Human Resources office or through an employee hotline. This is an example of ethical ____.

- a) whistle-blowing
- b) awareness
- c) action
- d) reasoning

Answer: c

Bloomcode: Application

Difficulty: Hard

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

118. After meeting with employees, a manager realizes she has set performance goals unrealistically high for her department's employees. If she makes employee performance goals more realistic, what will likely happen to the department's ethical climate?

- a) It will improve.
- b) It will stay about the same.
- c) It will deteriorate.
- d) Not enough information is provided to determine the effect.

Answer: a

Bloomcode: Application

Difficulty: Medium

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

119. Ethical ____ charges each employee personally to uphold the company's core values and be willing to base their actions on them.

- a) leadership
- b) awareness
- c) action
- d) reasoning

Answer: a

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

120. The sales manager decides to double each salesperson's monthly quota. What impact is this action likely to have on the company's ethical climate?

- a) It will improve.
- b) It will remain the same.
- c) It will deteriorate.
- d) Not enough information is provided to determine the effect.

Answer: c

Bloomcode: Application

Difficulty: Medium

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

121. Jack Welch, former CEO of General Electric, is respected in business circles for focusing his company on the welfare of its customers and investors, and for ensuring GE would thrive in the long run. This type of environment is an example of ethical ____.

- a) leadership
- b) action
- c) awareness
- d) reasoning

Answer: a

Bloomcode: Application

Difficulty: Medium

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

122. You're the training manager of a well-established financial institution and would like to intensify ethical education and create more awareness in the organization. Which of the following will be an alternative practical training strategy to use?

- a) using business school textbooks for employee workshops
- b) offering workshops during the annual General Meeting
- c) inviting convicted white-collar criminals who are willing to share their stories, to speak to employees during training workshops.
- d) posting the company's code of conduct on the notice board

Answer: c

Bloomcode: Application

Difficulty: Hard

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

123. To encourage appropriate ethical behaviour, a company's code of conduct should

- a) apply to all levels of employees, both at work in personal lives.
- b) apply to all levels of employees.
- c) mainly apply to senior executives who make company decisions.
- d) be prepared by middle level managers who can combine issues in the upper and lower levels of the organization.

Answer: a

Bloomcode: Application

Difficulty: Hard

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

124. Which one of the following is NOT typically considered as a firm's stakeholder?

- a) shareholders
- b) suppliers
- c) employees
- d) government

Answer: d

Bloomcode: Application

Difficulty: Hard

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

125. According to Statistics Canada, the diversion of discarded electronic items away from landfill sites has increased by ____ in two years.

- a) 115 percent
- b) 100 percent
- c) 50 percent
- d) 130 percent

Answer: a

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

126. If a product or package can biodegrade, generating a relatively homogenous and

stable humus-like substance, the Competition Bureau of Canada would consider the product to be

- a) degradable.
- b) compostable.
- c) recyclable.
- d) refillable.

Answer: b

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

127. If a product or package is able to be processed and returned to use in the form of raw materials or products, the Competition Bureau of Canada would consider the product to be

- a) degradable.
- b) deplorable.
- c) compostable.
- d) recyclable.

Answer: d

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

128. The Canadian legislation that contains provisions against false or misleading product representations is

- a) The Canadian Charter of Human Rights and Freedoms.
- b) The Competition Act.
- c) The Employment Equity Act.
- d) The Canadian Human Rights Act.

Answer: b

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

129. Which of the following would be LEAST likely to be a factor in evaluating a firm's social performance?

- a) providing a safe, healthy workplace
- b) respecting the cultural diversity of employees
- c) holding company-sponsored social events
- d) producing safe, high-quality products

Answer: c

Bloomcode: Application

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

130. Businesses exercise social responsibility for all of the following reasons EXCEPT ____.

- a) stakeholders expect it
- b) profits are guaranteed
- c) the company's image is enhanced
- d) management believes it is the ethical course of action

Answer: b

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

131. When Target donates 5 percent of its federally taxable income to nonprofit groups, the company is highlighting its ____.

- a) social audit
- b) code of conduct
- c) business ethics
- d) social responsibility

Answer: d

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

132. A formal procedure that identifies and evaluates all company activities relating to social issues is known as a(n) ____.

- a) ethical profile
- b) social audit

- c) social inventory
- d) mission analysis

Answer: b

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

133. In addition to financial assessments, Dominic has arranged for his company to conduct a(n) ___ to evaluate activities that relate to social issues, such as employment practices, environmental protection, and philanthropy.

- a) social audit
- b) EEOC evaluation
- c) code of conduct
- d) social responsibility inventory

Answer: a

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

134. The Wright Tire Co. uses a company-wide team of employees to identify company activities related to social issues, report on how the firm is responding to those issues, and evaluate how effectively the firm has met those issues. The Wright Tire team is conducting a(n) ____.

- a) environmental impact audit
- b) government-mandated audit
- c) internal accounting audit
- d) social audit

Answer: d

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

135. The ___ of a coffee-growing company include(s) its employees, customers, suppliers, and the community members where the company is located.

- a) social responsibility

- b) corporate philanthropy
- c) social audit
- d) stakeholders

Answer: d

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

136. Reprocessing used materials so that they can be reused is known as ____.

- a) rotation
- b) recycling
- c) ecology
- d) conversion

Answer: b

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Analytic

137. A marketing strategy that promotes environmentally friendly products and production methods is called ____.

- a) consumerism
- b) recycling
- c) ethical awareness
- d) green marketing

Answer: d

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Analytic

138. Timberland Company allows its employees to take paid six-month sabbatical leaves to work for not-for-profit organizations. This is an example of ____.

- a) whistle-blowing
- b) green marketing
- c) corporate philanthropy
- d) consumerism

Answer: c

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Analytic

139. All of the following are examples of corporate philanthropy EXCEPT ____.

- a) supporting the local public radio station
- b) sponsoring a Red Cross blood drive
- c) paying local property taxes
- d) giving employees release time to participate in volunteer activities

Answer: c

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Reflective Thinking

140. During the Olympics, several Nike ads were aired that demonstrated the company's sponsorship of various events. Nike was using ____ to align their marketing efforts with charitable giving.

- a) business ethics
- b) cause-related marketing
- c) social responsibility
- d) ethical awareness

Answer: b

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Reflective Thinking

141. The public demand that businesses give proper consideration to consumer wants and needs in making its decisions is known as ____.

- a) consumerism
- b) political activism
- c) conservation
- d) ethics

Answer: a

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Analytic

142. Consumer rights include all of the following EXCEPT the right to ____.

- a) boycott
- b) choose
- c) be heard
- d) be informed

Answer: a

Bloomcode: Knowledge

Difficulty: Hard

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Analytic

143. The ____ defines the standards for safety and advertising to be followed by makers of drugs, cosmetics, and therapeutic devices.

- a) Food and Drug Act
- b) Occupational Safety and Health Administration (OSHA)
- c) Consumer Compliance
- d) Securities and Exchange Commission (SEC)

Answer: a

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Analytic

144. Which act requires that all ingredients be listed on product labels so consumers are fully informed?

- a) FDA
- b) EEA
- c) CHRA
- d) CCOHS

Answer: a

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.
Section Reference: Acting Responsibly to Satisfy Society
AACSB: Analytic

145. The doctrine of “the right to be heard” would be best reflected by ____.
- a) product safety
 - b) disclosure of true annual interest rates on revolving charge accounts
 - c) disclosure of sodium content on labels of processed foods
 - d) a firm establishing a consumer appeals board

Answer: d

Bloomcode: Application
Difficulty: Hard
Learning Objective: Describe how businesses can act responsibly to satisfy society.
Section Reference: Acting Responsibly to Satisfy Society
AACSB: Reflective Thinking

146. All of the following are current social issues related to business’s responsibilities to employees EXCEPT ____.
- a) sexual harassment
 - b) discrimination against workers over 40 years of age
 - c) discrimination against workers under 40 years of age
 - d) quality of life issues

Answer: c

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe how businesses can act responsibly to satisfy society.
Section Reference: Acting Responsibly to Satisfy Society
AACSB: Analytic

147. All of the following groups are specifically identified by the federal Employment Equity Act EXCEPT ____.
- a) women
 - b) members of minority groups
 - c) members of religious groups
 - d) obese persons

Answer: d

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe how businesses can act responsibly to satisfy society.
Section Reference: Acting Responsibly to Satisfy Society
AACSB: Diversity

148. Rene's boss has offered him a raise if Rene agrees to spend the night with her.

This is an example of

- a) social responsibility.
- b) sexual harassment.
- c) sexism.
- d) whistle-blowing.

Answer: b

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Diversity

149. On average, women with a college degree earn less money than men with a college degree. This is an example of

- a) social responsibility.
- b) sexual harassment.
- c) sexism.
- d) whistle-blowing.

Answer: c

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Diversity

150. When Canadian Tire uses its Jump Start program to promote sports programs for children from low-income families, the company is practising

- a) cause related marketing.
- b) advocacy.
- c) social responsibility.
- d) social audit.

Answer: c

Bloomcode: Application

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

151. Your educational institution has increased its effort to reduce the use of paper and

get closer to 'paperless' operations. All the faculty, staff, and students have responded very well to this campaign and recent advertisement from the school emphasizes this environmentally friendly operation. In this scenario, the advertisement forms part of the school's ____ strategy.

- a) social marketing
- b) green marketing
- c) modern marketing
- d) ethical marketing

Answer: b

Bloomcode: Application

Difficulty: Hard

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

152. ____ investigate suspicions of unethical or illegal behaviours by publicly traded companies in order to protect investors.

- a) Stock market regulators
- b) Provincial securities regulators
- c) Company lawyers
- d) Shareholders

Answer: b

Bloomcode: Application

Difficulty: Medium

Learning Objective: Explain the ethical responsibilities of businesses to investors and the financial community.

Section Reference: Responsibilities to Investors and the Financial Community

AACSB: Ethics

153. Canada's Bill 198 and the Sarbanes-Oxley Act of the United States can both ____.

- a) replace a company's code of ethics
- b) protect corporate executives who engage in wrongdoings
- c) guarantee ethical behaviour
- d) motivate businesses to develop written codes to guide ethical behaviour in the workplace

Answer: d

Bloomcode: Application

Difficulty: Hard

Learning Objective: Explain the ethical responsibilities of businesses to investors and the financial community.

Section Reference: Responsibilities to Investors and the Financial Community

AACSB: Ethics

MATCHING QUESTIONS

154. Complete the following using the terms listed.

a)	Ontario or Alberta Securities Commission
b)	Workers' Compensation Board of Alberta
c)	corporate philanthropy
d)	integrity
e)	social audit
f)	social responsibility
g).	business ethics
h)	sexual harassment
i)	code of conduct
j)	conflict of interest
k)	product liability
l)	consumerism
m)	Canadian Human Rights Act (CHRA)
n)	whistle-blowing
o)	green marketing

1. The standards of conduct and moral values governing actions and decisions in the work environment are ____.

2. A situation where a business decision may be influenced by the potential for personal gain is a(n) ____.

3. Having ____ means adhering to deeply felt ethical principles in all business situations.

4. ____ is an employee's disclosure to company officials, government authorities, or the media of illegal, immoral, or unethical practices of his or her employer.

5. A formal statement that defines how an organization expects and requires employees to resolve ethical questions is a(n) ____.

6. A provincial organization responsible for setting workplace safety and health standards is the ____.

7. Management's acceptance of the obligation to consider profit, consumer satisfaction, and societal well-being of equal value in evaluating the firm's performance is ____.

8. Some companies measure social performance by conducting a(n) ____ that identifies and evaluates the company's activities that relate to social issues.
9. Inappropriate actions of a sexual nature in the workplace is ____.
10. The ____ prohibits age discrimination except in very specific cases.
11. ____ refers to businesses giving back to the communities in which they earn profits.
12. ____ refers to the responsibility of manufacturers for injuries and damages caused by their goods.
13. The public demand that a business consider the wants and needs of its customers when making decisions is referred to as ____.
14. A marketing strategy that promotes a firm's commitment to environmentally safe products and production methods is known as ____.
15. When a publicly traded firm is suspected of unethical or illegal behaviour, the ____ will conduct an investigation.

ANSWERS TO MATCHING QUESTION

1. Answer: g

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

2. Answer: j

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

3. Answer: d

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

4. Answer: n

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

5. Answer: i

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

6. Answer: b

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

7. Answer: f

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

8. Answer: e

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

9. Answer: h

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

10. Answer: m

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

11. Answer: c

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

12. Answer: k

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

13. Answer: l

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

14. Answer: o

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

15. Answer: a

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Explain the ethical responsibilities of businesses to investors and the financial community.

Section Reference: Responsibilities to Investors and the Financial Community

AACSB: Ethics

SHORT ANSWER ESSAY QUESTIONS

155. Business ethics is very important in today's society. Yet, the concept of right and wrong can be very complex, and certainly NOT 'black and white'.

- a) Explain business ethics and identify at least two factors that could influence ethical decisions and actions in a business environment.
- b) Explain one strategy which a company could use to enforce ethical standards in the workplace.

Answer: Business ethics is a broad term used to describe the standard of conduct and moral values regarding right or wrong actions in a business environment.

a) Two factors that influence business ethics are:

- i) Ethical values of business executives and individuals in the workplace.
- ii) Ethical climate within the organization, or within the country in which the company operates.

b) Developing and using an organizational 'Code of Conduct' could help to enforce ethical standards within any organization.

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

156. a) What does Corporate Social Responsibility mean and why is it important?

b) Identify at least three ways in which your school's operations could have an impact on the community in which it is situated.

Answer:

a) Corporate Social Responsibility is a concept used to describe how firms find a balance between doing what is right and doing what is profitable. This means that firms should address the concerns of stakeholders, alongside their profitmaking objective. This balance is very important because firms and institutions impact stakeholders in society, and it is important for them to ensure that the impact remain positive.

b) A school's operations will impact the community in different ways including: conducting research to address issues in the community; training students to work in the community; training students who will graduate and become future leaders in the community; doing business with suppliers in the community; employing people from the community; attracting students from different places to attend the school and patronize business activities in the community.

Since the school can impact the community in so many ways, it is important for the leaders to ensure that they pay attention to the concerns of the community, and take them into consideration when making operational decisions.

Bloomcode: Application

Difficulty: Medium

Learning Objective: Explain the concepts of business ethics and social responsibility.
Section Reference: Concern for Ethical and Societal Issues
AACSB: Ethics

157. Walmart has developed an efficient, cost-effective and more sustainable process of sourcing fresh produce locally to sell to customers.

- a) How does this process relate to ethics and social responsibility (at least three points are needed)?
- b) How does the organization benefit from the impact of this process?

Answer:

a) Sourcing fresh produce locally means lower transportation cost and lower prices to customers.

Sourcing fresh produce locally means reduced transportation-related emissions.
Sourcing fresh produce locally means supporting local farmers and suppliers, and boosting the local economy.

b) The positive impact of this social responsibility process helps Walmart to address concerns which are usually raised about the company's negative impact on small businesses in local communities

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

158. a) Mention and explain at least two scenarios under which conflict of interest may occur in a work environment.

b) Identify two strategies that could be used to handle conflict of interest in an ethical manner.

Answer:

a) Two 'conflict of interest' scenarios include the following:

when a person holds similar positions in two competing companies,
when a hiring manager sits on an interview panel which interviews his/her relative for a position in his/her company,
when the Mayor of a city awards a city contract to his/her relative.

b) Strategies for handling conflict of interest ethically are:
avoiding the conflict,
disclosing it to the stakeholders involved before it happens.

Bloomcode: Application

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

159. a) A corporate culture that supports business ethics develops on four levels. Mention and explain each of those levels.
b) As the CEO of a company, give at least two examples of behaviour that you would exhibit as an ethical leader, in order to boost the morale of your employees.

Answer:

a) The four levels are:
ethical awareness,
ethical education,
ethical action, and
ethical leadership.

b) Behaviours that exhibit ethical leadership include:
using clear, explicit language rather than euphemisms for corrupt behaviour,
encouraging behaviour that generates and fosters ethical values,
practicing moral absolutism, insisting on doing right even if it proves financially costly,
charging employees at each level of the organization with the responsibility to be an ethical leader, willing to defend the organization's standards.

Bloomcode: Application

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

160. Mention and explain at least three ethical actions which managers may use to improve ethics in the workplace.

Answer: Three ethical actions which managers may use to improve ethics in the workplace include:
providing ethical education to help employees recognize and reason through ethical problems,
setting realistic goals for employee performance, in order to avoid lying and misdeeds among employees who want to protect themselves,
setting up a hotline which employees may call anonymously for advice, or report unethical behaviour,
hiring ethics compliance officers who guide employees through difficult ethical issues.

Bloomcode: Knowledge

Difficulty: Hard

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

161. You own a small business in your neighbourhood and despite the size of your operations and your profit level, you've made numerous efforts to remain socially

responsible to the community.

- a) Mention and explain at least three reasons why business owners like you, endeavour to become socially responsible to society.
- b) What strategy could you use to ensure that your revenue and profit increase, in order to offset the costs of your social responsibility activities?

Answer: Answers could vary and may include the following:

- a) Businesses may practice social responsibility due to the following reasons:
 - may be required by law,
 - to enhance the image of the business,
 - the owner or management believe that it is the right and ethical thing to do.

- b) Answers could vary and may include:

Conduct a social audit and outline the positive impact of your activities.

Make the results of the social audit available to the public in order for stakeholders to learn about the positive impact of your social responsibility activities. This will create a positive image for the business and attract more customers.

Bloomcode: Application

Difficulty: Hard

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

162. Explain why 'a *sandwich generation of households*' is a problem for workers in today's society and identify at least two strategies which employers could use to help employees who find themselves in that situation.

Answer: A '*sandwich generation of households*' refers to people caring for two generations: their children and their aging parents. This situation creates a problem for workers since it's difficult to combine work and family responsibilities. More time spent working outside the home means less time spent with the family. The opposite is also true. Balancing work and family responsibilities has therefore become an issue of concern for employees and employers.

Two strategies that could be used to address this work-life balance issue are:
 allowing affected employees to work flexible hours,
 allowing qualified employees to work from home.

Bloomcode: Application

Bloomcode: Knowledge

Difficulty: Hard

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

163. As a social responsibility consultant working with a global organization, how would you convince the board of directors that social responsibility activities will increase the company's value for shareholders (provide at least three convincing arguments)?

Answer: Answers would vary and may include the following:

The positive image earned by the company can attract more customers and increase revenue/profit.

The company can attract top level skilled employees and executives who prefer to work for a socially responsible organization. Highly skilled top workers mean better management and better decision-making for sustainability.

Enhanced quality of products and services through socially responsible production processes could reduce operational cost in the long run and increase profits.

Bloomcode: Application

Difficulty: Hard

Learning Objective: Explain the ethical responsibilities of businesses to investors and the financial community.

Section Reference: Responsibilities to Investors and the Financial Community

AACSB: Ethics

164. Corporate scandals usually lead to huge losses for investors and society in general.

a) Mention and explain at least two corporate scandals in history, which led to the conviction and imprisonment of top business executives.

b) Identify one strategy which has been used to prevent such unethical business practice, in order to protect investors and society in general.

Answer:

a) Answers would vary and may include:

Enron's 2001 scandal

WorldCom's 2002 scandal

Bernie Madoff's 2008 Ponzi scheme

Livent Inc.'s 2009 scandal

All these scandals together, cost investors/society billions of dollars.

b) One strategy that has been developed and implemented to stop corporate scandals is the use of government legislation such as the Sarbanes-Oxley Act of the United States and Canada's Bill 198, which deter and punish corporate accounting fraud and protect the interest of investors and other stakeholders.

Bloomcode: Application

Difficulty: Hard

Learning Objective: Explain the ethical responsibilities of businesses to investors and the financial community.

Section Reference: Responsibilities to Investors and the Financial Community

AACSB: Ethics

ESSAY QUESTIONS

165. What are business ethics and why are they important?

Answer: Business ethics are standards of conduct and moral values that govern actions and decisions in the work environment. They are important because a company cannot prosper in the long run without considering ethics.

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Explain the concepts of business ethics and social responsibility.

Section Reference: Concern for Ethical and Societal Issues

AACSB: Ethics

166. Explain how technology has impacted business ethics. Provide a specific example.

Answer: Technology seems to have expanded the range and impact of unethical behaviour. For instance, technology has made it easier for people to access data from a variety of locations. That, in turn, has increased the potential for someone to steal or manipulate data, or even shut down the system.

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

167. Describe the factors that influence business ethics.

Answer: An individual's business ethic is shaped by a huge number of factors. Experiences help shape responses to different situations. A person's family, educational, cultural, and religious backgrounds also can play a role, as can the environment within the firm. Ethical climate of the company also plays a role.

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

168. When does a conflict of interest pose an ethical challenge? How should a conflict of interest be handled?

Answer: A conflict of interest exists when a person is faced with a situation in which an action benefiting one person or group has the potential to harm another. A conflict of interest can pose an ethical challenge when it involves the person's own interests and

someone to whom he or she has a duty. The best way to handle a potential conflict of interest is to avoid it and/or to disclose it.

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

169. How could loyalty versus truth create an ethical dilemma for a businessperson?

Answer: Businesses expect their employees to be loyal and to act in the best interests of the company. An ethical conflict can arise when an individual must decide between loyalty to the company and truthfulness in business relationships.

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

170. What is “whistleblowing?” How are whistle-blowers protected in Canada?

Answer: Whistle-blowing is usually an employee’s disclosure to company officials, government authorities, or the media of illegal, immoral, or unethical practices. Although no specific law protects whistle-blowers in Canada, many Canadian companies have policies to protect whistle-blowers.

Bloomcode: Application

Difficulty: Medium

Learning Objective: Describe the factors that influence business ethics.

Section Reference: The Contemporary Ethical Environment

AACSB: Ethics

171. Why is it important for a company to create and communicate a code of conduct?

Answer: A code of conduct defines how an organization expects its employees to resolve ethical issues. It improves ethical awareness among employees, helps them identify ethical problems when they occur, and provides guidance about how they should respond.

Bloomcode: Application

Difficulty: Medium

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

172. The development of a corporate culture to support business ethics happens on four levels. Explain each of the four levels.

Answer: Ethical awareness is the foundation of an ethical climate. Employees need help in identifying ethical problems and need guidance in how to respond. Ethical reasoning involves ethics training programs to provide employees with the tools they need to evaluate ethical dilemmas and arrive at suitable decisions. Ethical action involves the structures and procedures that firms establish to enable their employees to follow ethical behaviour. Companies encourage ethical action by providing support for employees faced with dilemmas, such as an employee hotline. Ethical leadership charges each employee at every level with the responsibility for being an ethical leader. This principle requires that all employees be personally committed to the company's core values and be willing to base their actions on them.

Bloomcode: Application

Difficulty: Hard

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

173. Why is ethical leadership so important?

Answer: Without supervisors and managers demonstrating ethical behaviour, employees are not as likely to follow a set of ethical standards. An important way for business leaders to demonstrate ethical behaviour is to admit when they are wrong and correct their organization's mistakes. Companies where managers set good examples have fewer incidences of unethical behaviour, and employees report higher levels of satisfaction.

Bloomcode: Application

Difficulty: Medium

Learning Objective: Discuss how organizations shape ethical behaviour.

Section Reference: How Organizations Shape Ethical Conduct

AACSB: Ethics

174. Explain the social responsibilities of a business and how it must balance qualitative and quantitative standards of measurement.

Answer: Social responsibility is the management's acceptance of the obligation to consider profit, consumer satisfaction, and societal well-being of equal value in evaluating the firm's performance. It is the recognition that a business must be concerned with the qualitative dimensions of consumer, employee, and societal benefits, as well as the quantitative measures of sales and profit.

Bloomcode: Knowledge

Difficulty: Hard

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

175. What is a social audit? Who conducts one?

Answer: A social audit is a formal procedure to identify and evaluate all company activities that relate to social issues such as conservation, employment practices, environmental protection, and philanthropy. The audit informs management about how well the company is performing in these areas. Social audits often are conducted internally by firms. Outside groups, such as environmental organizations and public-interest groups, also conduct social audits.

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

176. What is green marketing?

Answer: Green marketing is a marketing strategy that promotes environmentally friendly products and production methods. The Federal Trade Commission (FTC) has issued guidelines for businesses to follow in making environmental claims.

Bloomcode: Knowledge

Difficulty: Easy

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Analytic

177. What are the objectives of the consumerism movement?

Answer: Consumerism refers to the movement calling for businesses to consider the needs of consumers when making decisions. U.S. President Kennedy summarized many of the ideals of the consumerism movement in a speech in which he listed four basic consumer rights: the right to safety, the right to be informed, the right to choose, and the right to be heard.

Bloomcode: Application

Difficulty: Hard

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Reflective Thinking

178. List the major responsibilities a business has to its workers.

Answer: The major responsibilities to workers are providing a safe work environment; recognizing quality of life issues; ensuring equal employment opportunity; and prohibiting age discrimination, sexual harassment, and sexism.

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Ethics

179. Explain how the Canadian Charter of Rights and Freedoms addresses discrimination in Canada.

Answer: The Canadian Charter of Rights and Freedoms in Section 15 states: “Every individual is equal before and under the law and has the right to the equal protection and equal benefit of the law without discrimination and, in particular, without discrimination based on race, national or ethnic origin, colour, religion, sex, age, or medical or physical disability.”

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Describe how businesses can act responsibly to satisfy society.

Section Reference: Acting Responsibly to Satisfy Society

AACSB: Diversity

180. Why do investors expect a firm to act ethically and exhibit social responsibility?

Answer: Even though the primary purpose of a firm is to make a profit, investors also expect the firm to act ethically, as well as legally, and exhibit social responsibility. Investors know that the failure of a firm to act ethically, legally, or without a sense of social responsibility can result in substantial monetary losses to investors. For instance, ethical or legal problems can cause a sudden and substantial drop in a company’s stock price.

Bloomcode: Knowledge

Difficulty: Medium

Learning Objective: Explain the ethical responsibilities of businesses to investors and the financial community.

Section Reference: Responsibilities to Investors and the Financial Community

AACSB: Ethics

181. Explain how a company’s unethical behaviour can actually decrease the value of its business.

Answer: Although a fundamental goal of any business is to make a profit for its shareholders, the financial community demands that businesses behave ethically, as well as legally. When a firm fails in this responsibility (as evidenced by several recent corporate scandals), thousands of employees, investors, and consumers can suffer. Shareholders lose confidence in the company and sell shares, which deflate share value and, consequently, company value.

Bloomcode: Application

Difficulty: Medium

Learning Objective: Explain the ethical responsibilities of businesses to investors and the financial community.

Section Reference: Responsibilities to Investors and the Financial Community

AACSB: Ethics

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