Chapter 5 Social Responsibility and Managerial Ethics

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TRUE/FALSE QUESTIONS

WHAT IS SOCIAL RESPONSIBILITY?

1. The classical view of organizational social responsibility is that management’s only social responsibility is to maximize profits.
   (True; moderate; p. 100)

2. The most outspoken advocate of the classical view of organizational social responsibility is Milton Friedman.
   (True; easy; p. 100)

3. In the socioecconomic view of organizational social responsibility, maximizing profits is a company’s second priority.
   (True; moderate; p. 100)

4. Socially responsible businesses tend to have less-secure long-run profits.
   (False; difficult; p. 103)

5. One argument against businesses championing social responsibility issues is that businesses already have too much power.
   (True; difficult; p. 103)

6. A business has fulfilled its social obligation when it meets economic, legal, and ethical obligations.
   (False; moderate; p. 103)

7. The difference between an organization’s social obligation and social responsiveness is the legal aspect.
   (False; moderate; p. 103)
SOCIAL RESPONSIBILITY AND ECONOMIC PERFORMANCE

8. Research has found that corporations’ social responsibility is unrelated to future financial performance.
   (False; moderate; p. 104)

VALUES-BASED MANAGEMENT

9. Values-based management is an approach to managing in which managers establish, promote, and practice an organization’s shared values.
   (True; easy; p. 104)

10. Though the outcomes are not perfectly measured, the majority of research studies show a positive relationship between corporate social involvement and economic performance.
    (True; easy; p. 104)

11. A company’s shared values act as guideposts for managerial decisions and actions.
    (True; moderate; p. 104)

12. Shared corporate values impact many issues, but not the marketing function.
    (False; moderate; p. 107)

13. Values-based management is based on the close link between an organization’s decisions and activities and its impact on the natural environment.
    (False; moderate; p. 107)

14. Affluent societies account for more than 95 percent of the world’s energy and resource consumption.
    (False; moderate; p. 105)

THE “GREENING” OF MANAGEMENT

15. The market approach to going green is when organizations respond to multiple demands of stakeholders.
    (False; moderate; p. 105)
16. The activist approach to going green is when an organization looks for ways to respect and preserve the earth and its natural resources.
   (True; moderate; p. 105)

17. At Stage 3 of an organization’s expansion of social responsibility, the manager will promote the stockholders’ interest by seeking to minimize costs and maximize profits.
   (False; moderate; p. 101)

MANAGERIAL ETHICS

18. Ethics refers to the rules and principles that define right and wrong conduct.
   (True; moderate; p. 110)

19. In the rights view of ethics, decision makers seek to impose and enforce rules fairly and impartially.
   (False; moderate; p. 110)

20. The integrative social contracts theory proposes that decisions should be made on the basis of empirical and normative factors.
   (True; difficult; p. 110)

21. Possession of resources is an argument for social responsibility.
   (True; moderate; p. 102)

22. Studies have shown that most businesspeople continue to hold utilitarian attitudes toward ethical behavior.
   (True; moderate; p. 110)

23. In the preconventional stage of moral development, individuals make a clear effort to define moral principles apart from the authority of the groups to which they belong or of society in general.
   (False; moderate; p. 110)

24. People proceed through the six stages of moral development in lockstep fashion.
   (True; moderate; p. 111)

25. Most businesspeople follow the utilitarian view of ethics.
MULTIPLE-CHOICE QUESTIONS

For each of the following choose the answer that most completely answers the question.

WHAT IS SOCIAL RESPONSIBILITY?

26. Employee relations, philanthropy, pricing, resource conservation, product quality and safety, and doing business in countries that violate human rights are some obvious examples of

   a. social responsibility ethics that managers must decide on a daily basis
   b. social responsibility issues that employees must confront while at work
   c. areas of social responsibility that influence managers, not employees
   d. decisions that managers face that have a social responsibility dimension

   (d: hard; p. 103)

27. The classical view of social responsibility holds that management’s only social responsibility is to

   a. maximize organizational profits for stockholders
   b. maximize adherence to the laws for stockholders
   c. maximize organizational profits for stakeholders
   d. minimize adherence to the laws for stockholders

   (a; easy; p. 100)

28. Which of the following is associated with the classical view of social responsibility?

   a. economist Robert Reich
   b. concern for social welfare
   c. stockholder financial return
   d. voluntary activities

   (c; moderate; p. 104)

29. Proponents of the socioeconomic view of social responsibility believe that business organizations are

   a. not just merely economic institutions
b. just merely economic institutions
c. to be leaders in social responsibility
d. not to be involved in social responsibility, but to maximize profits for stakeholders

(a; moderate; p. 104)

30. Applying social criteria to investment decision refers to ________________.
   a. socioeconomic view
   b. social responsiveness
   c. social responsibility
   d. social screening

(d; moderate; p. 104)

31. ________________ is defined as a business firm’s obligation, beyond that required by law and economics, to pursue long-term goals that are good for society.
   a. Social obligation
   b. Social responsibility
   c. Social screening
   d. Values-based management

(b; moderate; p. 103)

32. The most outspoken advocate of the classical view of social responsibility is economist and Nobel laureate, ________________.
   a. Carnegie Milton
   b. Charles Darwin
   c. Milton Freeman
   d. Milton Friedman

(d; hard; p. 100)

33. The belief that businesses should be responsible because such actions are right for their own sake is known as which argument for social responsibility?
34. The belief that businesses that help solve difficult social problems create a desirable community and attract and keep skilled employees is known as which argument for social responsibility?
   a. ethical obligation
   b. public image
   c. better environment
   d. possession of resources
   (c; moderate; p. 102)

35. A leading proponent of the classical view argues that anytime managers decide on their own to spend their organization’s resources for the “social good,” they are _________________.
   a. contributing social benefits in the name of goodwill
   b. just doing what the government says they have to do
   c. helping make society a better place for everyone to live
   d. adding to the costs of doing business
   (d; hard; p. 102)

36. The socioeconomic view is that management’s social responsibility goes beyond making profits to include _________________.
   a. placing members of society on welfare
   b. protecting and improving society’s welfare
   c. minimizing the welfare of society in exchange for profits
   d. protecting and improving the organization’s profits
   (b; moderate; p. 101)

37. Which argument for social responsibility puts forth the belief that by becoming socially responsible, businesses can expect to have less government regulation?
38. Which argument for social responsibility puts forth the belief that an imbalance between the large amount of power held by firms and their responsibility is harmful to the public good?
   a. public expectation
   b. ethical obligation
   c. public image
   d. balance of responsibility and power
   (d; easy; p. 102)

39. The belief that businesses have the financial, technical, and managerial resources to support needed public and charitable projects is known as which argument?
   a. public expectations
   b. ethical obligations
   c. public image
   d. possession of resources
   (d; moderate; p. 102)

40. Social obligation is the obligation of a business to meet its ______________.
   a. social and technological responsibilities
   b. economic and social responsibilities
   c. technological and economic responsibilities
   d. economic and legal responsibilities
   (d; hard; p. 102)

41. Social responsiveness refers to the capacity of a firm to adapt to changing ______________.
   a. societal conditions
   b. organizational conditions
   c. societal leaders
   d. organizational managers
42. The belief that businesses are being socially responsible when they attend only to economic interests is known as which argument against a firm being socially responsible?
   a. dilution of purpose
   b. violation of profit maximization
   c. costs
   d. too much power

43. In the United States, a company that meets federal pollution control standards and does not discriminate in hiring, promotion, and pay ________________.
   a. is meeting its social obligation and more because they are trying to be a good citizen
   b. is not even meeting its social obligation, though there are laws in some of these areas of social responsibility
   c. is meeting its social obligation and nothing more because laws mandate these actions
   d. is meeting its social responsiveness and nothing more because society demands these actions

44. The belief that the costs of social activity are passed on as higher prices to consumers is known as which argument against a firm being socially responsible?
   a. violation of profit maximization
   b. dilution of purpose
   c. costs
   d. lack of skills

45. The belief that firms’ pursuit of social goals would give them too much power is known as what argument in opposition to a firm being socially responsible?
   a. costs
   b. lack of skills
c. lack of broad public support
d. too much power
(d; moderate; p. 102)

46. The belief that business leaders should not direct social policy because there is no direct line of social accountability to the public is known as what argument against a firm being socially responsible?
a. dilution of purpose
b. costs
c. too much power
d. lack of accountability
(d; moderate; p. 102)

47. The aspect that differentiates social responsibility from other similar concepts is that it ________________.
   a. adds an ethical imperative.
   b. adds a legal imperative
   c. adds a moral imperative
   d. considers social norms
   (a; easy; p. 103)

48. When a firm advertises that it only uses recycled paper products, it is ________________.
   a. meeting its social obligation
   b. meeting social responsibilities
   c. being socially responsive
   d. paying attention to the bottom line
   (c; difficult; p. 103)

SOCIAL RESPONSIBILITY AND ECONOMIC PERFORMANCE

49. One should be cautious in the interpretation, but a summary of more than a dozen studies analyzing the relationship between organizational social responsibility and economic performance provides what conclusion?
   a. Being socially responsible causes good economic performance.
   b. Good economic performance allows firms to be socially responsible.
c. There is a positive relationship between corporate social involvement and economic performance.
d. Corporate social involvement tends to devalue stock prices in the long run.
(c; difficult; p. 104)

50. Overall, does the evidence suggest that socially responsible behaviors by organizations lower a firm’s economic performance?
   a. yes
   b. no
   c. There is not enough evidence at this time to know for sure.
   d. It depends on the activity with which the organization is involved.
(b; easy; p. 104)

51. Applying social criteria to investment decisions is a term used to describe ______________.
   a. social obligation
   b. social responsibility
   c. social screening
   d. social autonomy
(c; moderate; p. 104)

52. Under the concept of social obligation, the organization ________________.
   a. does what it can to meet the law, and a little bit more for stakeholders
   b. fulfills its obligation to the law and its stakeholders
   c. fulfills its obligation to the stakeholders, which makes it fulfill the law, too
   d. does the minimum required by law
(d; moderate; p. 102)

53. There is __________ to say that a company’s socially responsible actions significantly hurt its long-term economic performance.
   a. not any evidence
   b. little evidence
   c. a lot of evidence
   d. mounting evidence
(b; hard; p. 104)
VALUES-BASED MANAGEMENT

54. ____________ is an approach to managing in which managers establish, promote, and practice what an organization stands for and believes in.
   a. Cause-related marketing
   b. Values-based management
   c. Ethical marketing
   d. Belief management
   (b; moderate; p. 107)

55. Values shared among the organizational members can serve as _________________.
   a. a reason to follow federal and state environmental laws
   b. guidepost for managerial decisions to invest in new technology
   c. shaping managerial decisions to invest in economic conditions
   d. a guidepost for managerial decisions and actions
   (d; hard; p. 107)

56. A corporation’s ____________ act(s) as guidepost(s) for managerial decisions and actions.
   a. shared values
   b. team spirit
   c. marketing efforts
   d. industry standards
   (a; moderate; p. 107)

57. Which of the following is true regarding shared corporate values?
   a. Individuals adapt easily to shared corporate values.
   b. Top management dictates shared corporate values.
   c. It is not easy to establish shared corporate values.
d. Most corporations will be unable to successfully establish shared corporate values.

(c; moderate; p. 108)

THE “GREENING” OF MANAGEMENT

58. The recognition of the close link between an organization’s decisions and activities and its impact on the natural environment is referred to as _________________.
   a. corporate social responsibility
   b. social responsiveness
   c. shared corporate values
   d. greening of management
   (d; moderate; p. 105)

59. Natural resource depletion, global warming, pollution, and toxic wastes are examples of _________________.
   a. social problems
   b. global environmental problems
   c. social responsiveness
   d. competitive strategies
   (b; easy; p. 105)

60. Which of the following is not an approach organizations can take with respect to environmental issues?
   a. legal
   b. market
   c. stakeholder
   d. responsibility
   (d; moderate; p. 106)

61. With the stakeholder approach of dealing with environmental issues, the organization chooses to respond to _________________.
   a. the demands made by the strongest stakeholders
   b. multiple demands made by social stakeholders
   c. the demands made by governmental stakeholders
   d. multiple demands made by stakeholders
62. The _____________ approach to environmental issues is when organizations respond to environmental preferences of their customers.
   a. legal
   b. market
   c. stakeholder
   d. responsibility
   (b; moderate; p. 106)

63. Which of the following approaches toward environmental issues exhibits the highest degree of environmental sensitivity and is a good illustration of social responsibility?
   a. legal approach
   b. market approach
   c. stakeholder approach
   d. activist approach
   (d; moderate; p. 106)

64. According to the model of the expansion of an organization’s social responsibility, Stage 2 adds an interest in _____________.
   a. stockholders
   b. human resource concerns
   c. safe products
   d. fair prices
   (b; difficult; p. 101)

65. According to the model of the expansion of an organization’s social responsibility, Stage 3 is noted by an added interest in _____________.
   a. stockholders
   b. human resource concerns
   c. owners
   d. customers/suppliers
   (d; moderate; p. 101)
MANAGERIAL ETHICS

66. Which of the following is a basic definition of ethics?
   a. moral guidelines for behavior
   b. rules for acknowledging the spirit of the law
   c. rules or principles that define right and wrong conduct
   d. principles for legal and moral development
   (c; moderate; p. 110)

67. The _________ is concerned with respecting and protecting individual liberties and privileges such as the rights to privacy, freedom of conscience, free speech, life and safety, and due process.
   a. utilitarian view
   b. rights view
   c. theory of justice view
   d. integrative social contracts theory view
   (b; easy; p. 110)

68. Which of the following is not mentioned in the textbook as one of the four perspectives on business ethics?
   a. utilitarian view
   b. principled view
   c. rights view
   d. theory of justice view
   (b; difficult; p. 110)

69. How many stage are in the model of an organization’s social responsibility progression?
   a. one
   b. two
   c. three
   d. four
   (d; easy; p. 101)
70. The theory of justice view of ethics says that managers are to ________________.
   a. be fair to the stockholders by ensuring that they receive an equitable return on their investment
   b. impose and enforce rules fairly and impartially even though it may require that a legal rule or regulation may be violated
   c. impose and enforce rules fairly and impartially and do so by following all legal rules and regulations
   d. impose and enforce rules fairly and impartially as determined by a governmental official
   (c; moderate; p. 110)

71. Which of the following encourages efficiency and productivity and is consistent with the goal of profit maximization?
   a. utilitarian view
   b. principled view
   c. rights view
   d. theory of justice view
   (a; moderate; p. 110)

72. The rights view of ethics is based on which of the following?
   a. decisions based on their outcomes or consequences
   b. the imposition and enforcement of fair and impartial rules
   c. respect and protection of individual liberties and freedoms
   d. the process used to determine the distribution of resources
   (c; moderate; p. 110)

73. The integrative social contracts theory of ethics is based on which of the following?
   a. the process used to determine the distribution of resources
   b. decisions based on their outcomes or consequences
   c. the imposition and enforcement of fair and impartial rules
   d. the existing ethical norms in industries and corporations
   (d; difficult; p. 110)

74. Studies have shown that most businesspeople tend to hold which attitude toward ethical behavior?
   a. the utilitarian view
   b. the rights view
c. the theory of justice view
d. the integrative social contract theory view

(a; moderate; p. 111)

75. Reasoning at the __________ level of moral development indicates that moral values reside in maintaining the conventional order and the expectations of others.
   a. preconventional
   b. conventional
   c. principled
   d. arrival

(b; easy; p. 111)

76. A personality measure of a person’s convictions is ____________.
   a. moral development
   b. ego strength
   c. locus of control
   d. social desirability

(b; moderate; p. 112)

77. ____________ is a personality attribute that measures the degree to which people believe they control their own fate.
   a. Ego strength
   b. Locus of control
   c. Social responsibility
   d. Social obligation

(b; easy; p. 112)

78. A manager who believes that “she worked hard and met the productivity goals despite bad weather” is displaying what individual characteristic?
79. Which of the following organizational structural characteristics would most likely result in managerial ethical behavior?
   a. few job descriptions
   b. formal rules
   c. mixed messages from authority figures
   d. performance appraisal systems focused on outcomes
   (b; moderate; p. 113)

80. Which of the following is true concerning the impact of organizational culture on ethical behavior?
   a. Low conflict tolerance leads to ethical behavior.
   b. A strong culture will support high ethical standards.
   c. Conflict tolerance is related to unethical behavior.
   d. A culture that is high in control tends to encourage unethical behavior.
   (b; moderate; p. 113)

81. Issue intensity, as an issue that affects ethical behavior, is described as which of the following?
   a. the characteristics of the ethical issue itself
   b. the level of control and influence one has over the event
   c. the cultural strength of the organization
   d. the organizational structure
   (a; difficult; p. 114)

82. Which of the following is not one of the six determinants that are relevant in deciding issue intensity?
   a. How great a harm (or benefit) is done to victims (or beneficiaries) of the ethical act in question?
   b. What is the probability that your act will be discovered?
   c. How much consensus is there that the act is evil (or good)?
   d. What is the length of time between the act in question and its expected consequences?
   (b; moderate; p. 114)
83. The Foreign Corrupt Practices Act _________ small payoffs to foreign government employees whose duties are primarily administrative or clerical when such payoffs are an accepted part of doing business in that country.
   a. encourages
   b. expressly prohibits
   c. does not expressly prohibit
   d. recommends
   (c; hard; p. 115)

84. Global organizations must _________ their ethical guidelines so that employees know what is expected of them while working in a foreign location.
   a. clarify
   b. provide
   c. establish
   d. reward
   (a; hard; p. 115)

85. The 1977 Foreign Corrupt Practices Act makes it illegal for U.S. firms to _____________.
   a. make any cash payment for deferential treatment in a foreign transaction
   b. make any payment over 5 percent of total cost toward administrative overhead in foreign transactions
   c. knowingly corrupt a foreign official
   d. make any payment to foreign clerical or ministerial employees in exchange for service
   (c; difficult; p. 115)

86. Which of the following is not a way for management to reduce unethical behavior?
   a. select individuals with high ethical standards
   b. establish codes of conduct
   c. provide ethics training
   d. monitor employee telephone calls
   (d; moderate; p. 116)
87. A ___________ is a formal statement of an organization’s primary values and the ethical rules it expects its employees to follow.
   a. mission statement
   b. statement of purpose
   c. code of ethics
   d. vision statement
   (c; moderate; p. 116)

88. Nearly ___________ percent of Fortune 500 companies have a code of ethics.
   a. 65
   b. 75
   c. 85
   d. 95
   (d; easy; p. 116)

SCENARIOS AND QUESTIONS
For each of the following choose the answer that most completely answers the question.

WHAT IS SOCIAL RESPONSIBILITY?

Two Opposing Views of Social Responsibility (Scenario)

The Board of Directors of Acme Generating Corporation is meeting to consider the construction of a new electrical generation facility somewhere along the Muspetan River basin. Director Appleton would like to have it be a coal-burning plant located in a remote area because of the moderate costs of generating and any ash from the smokestacks would not affect the city. Director Witworth wants a nuclear plant located near the city of Muspetan because the city needs the electricity the most and not only does nuclear production the least-expensive generating method but utilizes renewable fuels. Director Jossleman wants a generating plant that uses combustible fuels collected from the city’s garbage with the metals and glass sent to recycling and the food materials buried in the city landfill. By locating near the downtown government area, steam could be used for heating the government buildings after it has passed through the generating turbines, and the exhaust would be “scrubbed” to make it clean. He believes that this approach would provide the electricity needed for the growing city, the heat for
government buildings, recycling of resources, and minimize the impact on the city’s landfill. The other directors have not offered any input to the discussion.

89. Director Witworth is following which of the social responsibility views?
   a. social responsiveness
   b. social obligation
   c. classical view of social responsibility
   d. socioeconomic view of social responsibility
   (c; moderate; p. 100)

90. Director Appleton is following which of the social responsibility views?
   a. social responsiveness
   b. social obligation
   c. classical view of social responsibility
   d. socioeconomic view of social responsibility
   (d; moderate; p. 100)

91. Director Josselman being mostly which of the following?
   a. classically social responsible
   b. classically social responsive
   c. socially obligated
   d. socially responsive
   (d; hard; p. 102)

92. To be at Stage 4 in the progression of an organization’s social responsibility, Acme Generating Corporation would choose ____________.
   a. Director Witworth’s proposal
   b. Director Josselman’s proposal
   c. Director Appleton’s proposal
   d. a proposal that has not yet been submitted to the Board
   (b; hard; p. 101)

An Academic Question (Scenario)
As a university student, you wonder about some of the practices in the university and just how some of these practices should be evaluated in reference to social issues.

93. If your university were paying minimum wage, when necessary, and applying the minimum standard to laws, such as affirmative action, it would be said to have fulfilled its ______________.
   a. social obligation  
   b. social responsibility  
   c. social responsiveness  
   d. social expectation
   (a; moderate; p. 102)

94. If your university provides job-share programs, builds a day-care facility, and only uses recycled paper, it could be said to be ______________.
   a. fulfilling its social obligation  
   b. socially aware  
   c. socially responsive  
   d. socially image conscious
   (c; moderate; p. 102)

95. Which of the following is not a reason why it makes sense for your university to continue to be socially responsive?
   a. positive consumer image  
   b. lower cost  
   c. more dedicated workforce  
   d. more motivated workforce
   (b; easy; p. 102)

96. If your state legislature criticized your university for incurring the cost of being socially responsive, the university might point to a series of studies that indicates that the relationship between corporate social involvement and economic performance is ______________.
   a. very negative  
   b. negative  
   c. neutral  
   d. positive
97. Your university has tried to promote the establishment of shared values so that all members will understand its beliefs. The university has established _____________ management.

a. values-based  
b. image  
c. socially respectable  
d. MBO

(a; easy; p. 112)

Summing Up Social Responsibility (Scenario)

Max Proffit, Director of Research and Development for National Products Company, has learned that a new material has been developed in his department that appears as though it will work in several products already being manufactured by National Products Company. He has discussed the potential savings with his two assistants, Susie Merriweather, and Moe Gaines, and Rush Onward, vice president of Product Development. Susie has stated her opposition to the use of the new product because its durability and flame retardance have not completed testing and have not been certified by the company’s third-party testing laboratory. Moe argues that the initial tests that their R&D department have run indicated minimal problems with both durability and flame retardance. Rush stated that he has been in several meetings lately where the need to increase earnings-per-share have been repeatedly emphasized by the company president. Rush has told Max that a decision has to be made within the week about the new product’s use by National Products Company.

FACTORS THAT AFFECT MANAGERIAL ETHICS

98. If Max resists his impulse to okay use of the product because of the need for increased earnings-per-share, though it has not been certified, he probably _________________.

a. will be demoted to a lower-paying job  
b. has a strong ego strength  
c. will lose Susie as an employee because she will quit
99. If Max approves use of the product because of perceived pressure for the need of increased earnings-per-share, though it has not been certified, he probably _______________.
   a. has a strong ego strength
   b. is using the socioeconomic view of social responsibility
   c. has an internal locus of control
   d. has an external locus of control
   (d; hard; p. 112)

100. Susie’s opposition to the use of the new product is an indication that she probably _______________.
    a. has an internal locus of control
    b. has an external locus of control
    c. has a weak ego strength
    d. is using the classical view of social responsibility
    (a; moderate; p. 112)

101. Moe Gaines’ support in favor of using the new product is an indication that he probably _______________.
    a. supports “greening” of the organization’s profits
    b. has a strong ego strength
    c. has a weak ego strength
    d. is using the socioeconomic view of social responsibility
    (c; hard; p. 112)

ETHICS IN AN INTERNATIONAL CONTEXT

The Fee (Scenario)

Isaac Razzlefrat has been the Import and Export Manager for Overseas Exports Company of New Orleans, Louisiana, in a foreign country during the last 5 years. During this time, he has become quite familiar with the
national laws and with the local culture when sending goods through the Customs Inspectors step of the import/export process. Isaac has learned that the Customs Inspectors are paid low wages. He has also become well acquainted with the Administrator of Customs for Imports and Exports in this country. Because of these familiarities, he has learned that it is a normal practice to pay the Customs Inspectors a payment prior to their accepting the goods for inspection. Isaac has decided to pay an additional small “fee” to the Customs Inspectors when he has a rush order that needs to pass through customs quickly. Isaac recently learned that his competitor from Utibana is also making monthly payments to the Administrator of Customs, though other companies are not.

102. Under the Foreign Corrupt Practices Act, the normal practice of payments to the Customs Inspectors is _________________.
   a. against the law regardless of it being a normal practice
   b. okay because they receive low wages and it is an accepted part of doing business in that country
   c. okay because their duties are primarily clerical in nature
   d. against the law because it could lead to smuggling of contraband out of the country
   (b; moderate; p. 115)

103. If Isaac were to make a monthly payment to the Administrator of Customs as his competitor from Utibana is doing, under the Foreign Corrupt Practices Act he would be _________________.
   a. okay within the law, because his competitor has made it a common practice
   b. in violation of the law because it could lead to smuggling of contraband out of the country
   c. in violation of the law because the Administrator in not in an administrative or clerical duty position that normally receives payments
   d. okay within the law if the payment unless the payment is in excess of $1,000
   (c; hard; p. 115)

104. When Isaac makes the small “fee” payments to get a rush order through the customs, under the Foreign Corrupt Practices Act he could be _________________.
   a. in violation of the law because of it not being a normal practice
   b. okay because they receive low wages
   c. okay because their duties are primarily clerical in nature
   d. in violation of the law because it could lead to smuggling of contraband out of the country
   (a; hard; p. 115)
105. When Isaac follows the normal practice of payments to the Customs Inspectors, he probably feels as though ________________.
   a. his ego strength is weak
   b. his ego strength is strong
   c. his locus of control is internal
   d. his locus of control is external
   (d; hard; p. 112)

An Academic Question (Scenario)

You have just witnessed accounting errors at your company that are significant in nature. In making your decision on whether or not to come forward, there are four major theories that you can use in going about making your decision. The following four questions present different ways in which you will make your ethical decision.

106. This theory uses a quantitative method for making ethical decisions by looking at how to provide the greatest good for the greatest number of people.
   a. Theory of justice of ethics
   b. Integrative social contracts
   c. Right view of ethics
   d. Utilitarian view of ethics
   (d; easy; p. 110)

107. Under this approach, managers impose and enforce rules fairly and impartially and do so by following all legal rules and regulations. A manager using this theory would decide to provide the same rate of pay to individuals who are similar in their level of skills, performance, gender, and so on.
   a. Theory of justice of ethics
   b. Integrative social contracts
   c. Right view of ethics
   d. Utilitarian view of ethics
   (a; moderate; p. 110)
108. This theory of ethics is concerned with respecting and protecting individual liberties and privileges such as the right to privacy.
   a. Theory of justice of ethics
   b. Integrative social contracts
   c. Right view of ethics
   d. Utilitarian view of ethics
   **(c; moderate; p. 110)**

109. This theory proposes that ethical decisions be based on existing ethical norms in industries and communities in order to determine what constitutes right and wrong.
   a. Theory of justice of ethics
   b. Integrative social contracts
   c. Right view of ethics
   d. Utilitarian view of ethics
   **(b; moderate; p. 110)**

**Ethics Training (Scenario)**

You are an employee of a very large company and when walking through the halls you constantly hear one of your male coworkers call any female employee, “babe.” There have been many complaints and the company has decided to use this as an ethical training example.

110. The company brings in help from outside to evaluate the situation. There are routine evaluations that are performed regularly, called ____________.
   a. ethical training sessions
   b. formal protective mechanisms
   c. independent social audits
   d. informal behavior modification
   **(c; easy; p. 119)**

111. An alternative for the organization to provide formal means that protect employees who face ethical dilemmas so that they can do what’s right without fear of reprimand would be ________________.
   a. ethical training sessions
   b. formal protective mechanisms
The Environmental Study (Scenario)

You have just been challenged by your supervisor to study and report your finding on approaches that organizations use when dealing with the environment. Your boss tells you to study the four major approaches, differentiate between them, and report to him in a week.

112. This approach deals with organization responding to the environment because of the preferences of their customers.
   a. stakeholder approach
   b. market approach
   c. legal approach
   d. activist approach

(b; easy; p. 106)

113. Under this approach, the organization works to meet the environmental demands of multiple groups of people including employees, suppliers, or the community.
   a. stakeholder approach
   b. market approach
   c. legal approach
   d. activist approach

(a; easy; p. 106)

114. Under this approach, organizations exhibit little environmental sensitivity. They obey rules and regulations willingly without legal challenge and may even try to use these rules to their own advantage.
   a. stakeholder approach
   b. market approach
   c. legal approach
d. activist approach
(c; easy; p. 106)

115. Under this approach, the organization looks for ways to respect and preserve the earth and its natural resources.
   a. stakeholder approach
   b. market approach
   c. legal approach
   d. activist approach
(d; easy; p. 106)

Moral Development (Scenario)

You have had serious ideas of late about stealing money from petty cash in order to get back on top of your back rent. Upon reading Chapter 5 of the textbook, you learn there are levels of moral development each composed of two stages. You are ashamed of your thoughts and read more to see where you are in terms of your own moral development.

116. At this level, a person’s choice between right or wrong is based on personal characteristics involved, such as physical punishment, reward, or exchange of favors. What level are you in with these characteristics?
   a. principled level
   b. preconventional level
   c. conventional level
   d. value level
(b; moderate; p. 111)

117. Ethical reasoning at this level indicates that moral values reside in maintaining expected standards and living up to the expectations of others. This level is referred to as ____________.
   a. principled level
b. preconventional level  
c. conventional level  
d. value level  

(c; moderate; p. 111)

118. At this level, individuals make a clear effort to define moral principles apart from authority of the groups to which they belong or society in general. This level is referred to as ________________.
   a. principled level  
b. preconventional level  
c. conventional level  
d. value level  

(a; moderate; p. 112)

ESSAY QUESTIONS

119. In a short essay, list and discuss five arguments in favor of business social responsibility and five arguments against it.

Answer
Arguments in favor of business social responsibility include:

a. Public expectations—public opinion now supports businesses pursuing economic and social goals.
b. Long-run profits—socially responsible companies tend to have more secure long-run profits.
c. Ethical obligation—businesses should be socially responsible because responsible actions are the right thing to do.
d. Public image—businesses can create a favorable public image by pursuing social goals.
e. Better environment—business involvement can help solve difficult social problems.
f. Discouragement of further governmental regulation—by becoming socially responsible, businesses can expect less government regulation.
g. Balance of responsibility and power—businesses have a lot of power and an equally large amount of responsibility is needed to balance against that power.
h. Stockholder interests—social responsibility will improve a business’s stock price in the long run.
i. Possession of resources—businesses have the resources to support public and charitable projects that need assistance.

j. Superiority of prevention over cures—businesses should address social problems before they become serious and costly to correct.

Arguments against business social responsibility include:

a. Violation of profit maximization—business is being socially responsible only when it pursues its economic interests.

b. Dilution of purpose—pursuing social goals dilutes business’s primary purpose—economic productivity.

c. Costs—many social responsibility actions do not cover their costs and someone must pay those costs.

d. Too much power—businesses have a lot of power already and if they pursue social goals they will have even more.

e. Lack of skills—business leaders lack the necessary skills to address social issues.

f. Lack of accountability—there are no direct lines of accountability for social actions.

(difficult; p. 103)

VALUES-BASED MANAGEMENT

120. In a short essay, define values-based management and discuss the purposes of shared values.

Answer

“Values-based management” is an approach to managing in which managers establish, promote, and practice an organization’s shared values. An organization’s values reflect what it stands for and what it believes in. The values that organizational members share serve at least three main purposes. The first purpose of shared values is that they act as guideposts for managerial decisions and actions. Another purpose of shared values is the impact they have on shaping employee behavior and communicating what the organization expects of its members. Shared corporate values also influence marketing efforts. Finally, shared values are a way to build team spirit in organizations. When employees embrace the stated corporate values, they develop a deeper personal commitment to their work and feel obligated to take responsibility
for their actions. Because the shared values influence the way work is done, employees become more enthusiastic about working together as a team to support values that they believe in.

(easy; p. 107)

THE “GREENING” OF MANAGEMENT

121. In a short essay, explain the four approaches that organizations can take with respect to environmental issues.

**Answer**

The first approach simply is doing what is required legally: the legal approach. Under this approach, organizations exhibit little environmental sensitivity. They obey laws, rules, and regulations willingly and without legal challenge, and they may even try to use the law to their own advantage, but that’s the extent of their being green. This approach is a good illustration of social obligation: These organizations simply are following their legal obligations of pollution prevention and environmental protection. As an organization becomes more aware of and sensitive to environmental issues, it may adopt the market approach. In the market approach, organizations respond to the environmental preferences of their customers. Whatever customers demand in terms of environmentally-friendly products will be what the organization provides. Under the next approach, the stakeholder approach, the organization chooses to respond to multiple demands made by stakeholders. Under the stakeholder approach, the green organization will work to meet the environmental demands of groups such as employees, suppliers, or the community. Both the market approach and the stakeholder approach are good illustrations of social responsiveness. Finally, if an organization pursues an activist approach, it looks for ways to respect and preserve the earth and its natural resources. The activist approach exhibits the highest degree of environmental sensitivity and is a good illustration of social responsibility.

(moderate; p. 105)

122. In a short essay, describe the four-stage model of an organization’s expanding social responsibility.

**Answer**

A Stage 1 manager will promote stockholders’ interests by seeking to minimize costs and maximize profits. Although all laws and regulations will be followed, Stage 1 managers do not feel obligated to satisfy other societal needs. This is consistent with Friedman’s classical view of social responsibility. At Stage 2, managers will accept their responsibility to employees and focus on human resource concerns. Because
they’ll want to recruit, keep, and motivate good employees, Stage 2 managers will improve working conditions, expand employee rights, increase job security, and the like. At Stage 3, managers expand their responsibilities to other stakeholders in the specific environment—that is, customers and suppliers. Social responsibility goals of Stage 3 managers include fair prices, high-quality products and services, safe products, good supplier relations, and similar actions. Their philosophy is that they can meet their responsibilities to stockholders only by meeting the needs of their other constituents. Finally, Stage 4 managers characterize the extreme socioeconomic definition of social responsibility. At this stage, managers feel a responsibility to society as a whole. Their business is seen as a public entity, and they feel a responsibility for advancing the public good. The acceptance of such responsibility means that managers actively promote social justice, preserve the environment, and support social and cultural activities. They take these stances even if such actions negatively affect profits.

(moderate; p. 101)

123. Compare and contrast the ideas social obligation and social responsiveness.

Answer
Social obligation is the obligation of a business to meet its economic and legal responsibilities. The organization does only what it’s obligated to do and reflects the classical view of social responsibility. In contrast to social obligation, however, both social responsibility and social responsiveness go beyond merely meeting basic economic and legal standards. Social responsiveness refers to the capacity of a firm to adapt to changing social conditions. The idea of social responsiveness stresses that managers make practical decisions about the societal actions in which they engage. A socially responsive organization is guided by social norms and acts the way it does because of its desire to satisfy some popular social need. The example the textbook gives is managers at American Express Company identified three themes—community service, cultural heritage, and economic independence—to serve as guides for deciding which worldwide projects and organizations to support. By making these choices, managers were “responding” to what they felt were important social needs.

(moderate; p. 102)