

Managing Social Responsibility and Ethics

Chapter Overview

This chapter begins with a discussion of business ethics and the basis of ethical decisions. It goes on to explore codes of ethics and ethical dilemmas managers might face. Finally, it turns to the subject of social responsibility and how corporate stakeholders can influence decision making.

Learning Objectives

1. Apply the four key ethical criteria that managers and employees should use when making business decisions.
2. Explain why businesses establish codes of ethics as a method of guiding employee conduct.
3. Recognize ways to encourage ethical behavior in business.
4. Recognize morally challenging situations where ethical decisions should be made.
5. Identify important categories of stakeholders.
6. Recognize the influence of various stakeholders on a company's priorities, policies, plans, and goals.

Lecture Outline

I. What Are Business Ethics?

Ethics are the principles that explain what is good and right and what is bad and wrong and that prescribe a code of behavior based in these definitions.

- A. **Business ethics** are standards or guidelines for the conduct and decision making of employees and managers.

Codes of ethics encourage consensus on ethical principles. Unethical conduct can occur between an employer and employee, company and customer, company and shareholder, and company and community.

II. Ethics Approaches

Different ethical value systems among managers lead to different judgments on business decisions.

- A. There are four main ethical approaches used by managers when making decisions
 - 1. Utilitarianism
 - 2. Individualism
 - 3. The rights approach
 - 4. The justice approach

1. Utilitarianism

- A. Managers who use **utilitarianism** make decisions based on what is good for the greatest number of people.

2. Individualism

- A. Managers who use **individualism** believe that personal self-interests should be promoted as long as they do not harm others.
- B. This approach values personal goals, autonomy, and privacy over group loyalty, commitment to group norms, involvement in collective activities, social cohesiveness, and intense socialization.

3. Rights Approach

- A. Managers who use the **rights approach** believe that fundamental human rights including freedom of speech, privacy, and due process when charged should be respected and protected.

4. Justice Approach

- A. Managers who use the **justice approach** make decisions with the goal of treating all people fairly and consistently.
- B. *Distributive justice* examines the fairness of rewards, punishments, and outcomes in an organization while *procedural justice* involves the fair and consistent application of rules and procedures.

5. Applications of Ethics Approaches

- A. The four approaches view the process of random drug testing differently. The process is considered acceptable under the utilitarian and individualism approaches, but not acceptable under the rights approach or the justice approach.

6. Comparison of Ethics Approaches

- A. Individualism reflects a high concern for individuals and a high degree of economic freedom.
- B. The justice approach reflects a high concern for the community and for an equal distribution of wealth.
- C. The rights approach reflects a high concern for individualism and an equal distribution of wealth.
- D. The utilitarianism approach displays a high concern for community and for economic freedom.

IV. Codes of Ethics

Companies can create a standardized approach to ethics via a **code of ethics** which is a statement of ethics and values that is designed to guide employee conduct in a variety of business situations.

1. Corporate Credos

- A. A **corporate credo** is a formal statement focusing on principles and beliefs, indicating the company's responsibility to its stakeholders. It provides direction in ethically challenging situations.

2. Ethical Policy Statements

- A. **Ethical policy statements** are formal guidelines that provide specific formulas for employees' ethical conduct.

V. Managing Ethics

Some organizations try to influence the way employees behave by establishing a corporate culture that emphasizes ethical behavior.

- A. Approaches that are used include ethics training, ethical structures, and whistleblower policies.

1. Ethics Training

- A. **Ethics training** is a means of providing employees and managers practice in handling ethical dilemmas that they are likely to experience.

2. Ethical Structures

- A. The procedures and the division or department within a company that promotes and advocates ethical behavior is known as **ethical structure**.
- B. Organizations can implement the approach through ethics officers or ethics committees.

3. Whistleblower Policies

- A. **Whistleblower policies** encourage employees to disclose illegal, immoral, or illegitimate practices by their employers by protecting the individuals from retaliation by executives or coworkers whose practices have been exposed.

4. Personal Ethics

It is important to allow time to reflect on alternative actions when faced with an ethical dilemma. It can be helpful to get feedback from a trusted friend or colleague before acting.

VI. Ethical Dilemmas in the Workplace

Four examples of ethical dilemmas in the workplace are performance appraisals, employee discipline, romantic relationships, and gift giving.

1. Performance Appraisal

- A. To effectively make a formal evaluation of an employee, managers must collect accurate and fair performance information.

2. Employee Discipline

- A. Using employee discipline in a fair and impartial way requires notifying employees in advance of company rules and the consequences for violating them, investigating the facts of an employee's misconduct before taking disciplinary actions, and being consistent in responding to rule violations.

3. Office Romance

- A. Employees involved in romantic relationships in the workplace should not make public displays of affection, and should be discouraged from being involved in relationships with people they directly supervise.

4. Giving Gifts in the Workplace

Many companies try to minimize the potential for unethical conduct with regard to gift giving by limiting the dollar value amount of gifts to a modest amount, or by asking employees to disclose the gifts they give or receive.

VIII. Social Responsibility

Social responsibility is the belief that corporations have a responsibility to conduct their affairs ethically to benefit both employees and the larger society. Acting in a socially responsible way has both benefits and costs.

1. The Benefits of Social Responsibility

- A. Considering the impact of corporate decisions on the environment and ensuring that steps are taken to protect natural resources, communities, and individuals can have positive long term implications for companies including higher financial performance and the ability to recruit and retain better quality employees.

2. The Costs of Social Responsibility

- A. Firms that emphasize social responsibility at the expense of profitability are more likely to fail. Companies must seek a balance between the interests of stakeholders and the general society.

VIII. Organizational Stakeholders

Organizational **stakeholders** are the groups or individuals who have an interest in the performance of an enterprise and how it uses its resources, including employees, customers, and shareholders.

1. Owners

- A. Owners want to earn a reasonable return on their investments in an organization.

2. Employees

- A. Employees want to be treated fairly and with respect.
- B. Newer employees may be interested in challenging assignments that will be helpful in career development, while older employees might place a higher value on retirement benefits and job security.

3. Governments

- A. Governments want to ensure that companies comply with regulations and laws. Companies may hire lobbyists to influence legislation.

4. Customers

- A. Customers want quality products at a reasonable price that are safe to use. Customers may boycott companies that they believe have acted unethically.

5. Community

- A. All communities, local, national, and global, expect companies to be good corporate citizens and to contribute to the quality of life.

6. Competitors

- A. Competitors expect companies to act ethically and compete fairly in the market place.

7. Social Activist Groups

Companies should try to respond to the concerns of social activist groups to avoid being the focus of a campaign that can damage their reputations.

IX. Strategies for Managing Stakeholders

When developing business strategies, managers must balance the interests of different stakeholders.

- A. Managers need to consider who the stakeholders are, how they will be affected by company policies, what their interests are in the company, how they have behaved in the past, how effective the company has been in dealing with the stakeholders, and what new plans need to be made to deal with the stakeholders in the future.
- B. Organizations can use four strategies to deal with stakeholders
 1. Confrontation
 2. Damage control
 3. Accommodation
 4. Being proactive

1. Confrontation

- A. When stakeholders are perceived to be a threat to company performance, the organization may choose to use a **confrontation strategy** in which the firm uses the courts, engages in public regulations, or lobbies against legislation.

2. Damage Control

- A. Companies use a **damage control strategy** when they decide they have made mistakes and want to improve relationships with stakeholders and raise their public image.

3. Accommodation

- A. When managers decide to accept social responsibility for business decisions after facing pressure by stakeholders they are using the **accommodation strategy**.

4. Proactive

When a firm decides to go beyond stakeholder expectations it is using a **proactive strategy**. Under the strategy the firm forms a partnership with stakeholders that allows the firm to predict and control the stakeholder environment.

STUDY QUESTIONS

- 1) A code of ethics in an organization
 - A) guarantees employees will act in an ethical manner.
 - B) describes what is legal and illegal.
 - C) eliminates ethical dilemmas.
 - D) can create consensus regarding ethical principles.

Answer: D

Diff: 2 Page Ref: 74

Objective: LO1

AACSB: Ethical understanding and reasoning abilities

- 2) About 50% of workers surveyed admitted to engaging in at least one unethical act during the previous year. They believed ethical dilemmas could be reduced by
 - A) firing more unethical employees and making examples of them.
 - B) better communication and a serious commitment by managers to establish ethical standards of conduct.
 - C) providing more training and having managers hide inappropriate behavior.
 - D) better communication and more serious consequences for violating ethical codes.

Answer: B

Diff: 3 Page Ref: 75

Objective: LO1

AACSB: Ethical understanding and reasoning abilities

- 3) Which of the following is not one of the key ethical approaches to making business decisions?
 - A) Utilitarianism
 - B) Democratic approach
 - C) Individualism
 - D) Rights approach

Answer: B

Diff: 2 Page Ref: 75-76

Objective: LO1

AACSB: Ethical understanding and reasoning abilities

4) Which approach to ethical decision making is referred to as the "calculus of pain"?

- A) Utilitarianism
- B) Justice approach
- C) Individualism
- D) Rights approach

Answer: A

Diff: 3 Page Ref: 75

Objective: LO1

AACSB: Ethical understanding and reasoning abilities

5) Jeremy's ethical decision making is guided primarily by his belief that his self-interests should be promoted as long as he doesn't harm others. What approach to ethical decision making does Jeremy use?

- A) Utilitarianism
- B) Justice approach
- C) Individualism
- D) Rights approach

Answer: C

Diff: 2 Page Ref: 75

Objective: LO1

AACSB: Ethical understanding and reasoning abilities

6) If Megan believes that she cannot engage in a course of action if it deprives other individuals of their fundamental human rights, which approach to ethical decision making best describes Megan?

- A) Utilitarianism
- B) Justice approach
- C) Individualism
- D) Rights approach

Answer: D

Diff: 1 Page Ref: 76

Objective: LO1

AACSB: Ethical understanding and reasoning abilities

7) Which type of justice asks whether an employee received compensation equitable with performance?

- A) Distributive
- B) Utilitarianism
- C) Procedural
- D) Individualism

Answer: A

Diff: 2 Page Ref: 77

Objective: LO1

AACSB: Ethical understanding and reasoning abilities

8) Which approach to ethical decision making tends to be more flexible?

- A) Individualism
- B) Rights
- C) Utilitarianism
- D) Justice

Answer: D

Diff: 3 Page Ref: 77

Objective: LO1

AACSB: Ethical understanding and reasoning abilities9) The individualism approach to ethics reflects a _____ concern for individuals and a _____ degree of economic freedom.

- A) high; low
- B) low; high
- C) high; high
- D) low; low

Answer: C

Diff: 3 Page Ref: 78

Objective: LO1

AACSB: Ethical understanding and reasoning abilities

10) A formal statement of ethics and values that is designed to guide employee conduct in a variety of business situations is

- A) a corporate credo.
- B) a code of ethics.
- C) an ethical policy statement.
- D) a values statement.

Answer: B

Diff: 1 Page Ref: 79

Objective: LO2

AACSB: Ethical understanding and reasoning abilities

11) Which of the following is not considered a stakeholder?

- A) Employees
- B) Customers
- C) Shareholders
- D) Economy

Answer: D

Diff: 1 Page Ref: 79

Objective: LO2

AACSB: Ethical understanding and reasoning abilities

12) In response to the Tylenol crisis in the 1980s, one factor Johnson & Johnson found helpful in effectively responding was

- A) their corporate credo.

- B) government legislation.
- C) local law enforcement.
- D) consumers.

Answer: A

Diff: 2 Page Ref: 79

Objective: LO2

AACSB: Ethical understanding and reasoning abilities

13) Those groups or individuals with a vested interest in the performance of a firm are referred to as

- A) stockholders.
- B) stakeholders.
- C) employees.
- D) customers.

Answer: B

Diff: 1 Page Ref: 79

Objective: LO2

AACSB: Ethical understanding and reasoning abilities

14) A large company facing complex ethical issues in different markets may find a corporate credo is not specific enough. To provide more concrete guidelines and formulas for employee conduct, they may develop

- A) an ethical policy statement.
- B) a code of ethics.
- C) a values statement.
- D) a mission statement.

Answer: A

Diff: 2 Page Ref: 79

Objective: LO2

AACSB: Ethical understanding and reasoning abilities

15) A specific guideline on how much technical information an employee can share with a competitor would be included in a company's

- A) ethical policy statement.
- B) code of ethics.
- C) values statement.
- D) corporate credo.

Answer: A

Diff: 2 Page Ref: 79

Objective: LO2

AACSB: Ethical understanding and reasoning abilities

16) To establish an ethical corporate culture, which of the following approaches might be used?

- A) Ethics training
- B) Ethical structures
- C) Whistleblower policies

D) all of the above

Answer: D

Diff: 2 Page Ref: 81

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

17) Since a team is only as ethical as its "weakest ethical link," the team development process should include

A) distributing a copy of the corporate credo.

B) a review of whistleblower policies.

C) ethics training.

D) distributing a copy of the code of ethics for team members to sign.

Answer: C

Diff: 2 Page Ref: 81

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

18) An example of an ethical structure is

A) a whistleblower policy.

B) an ethics officer.

C) a corporate credo.

D) a values statement.

Answer: B

Diff: 2 Page Ref: 82

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

19) Universities are likely to use which ethical structure to focus on allegations of unethical conduct such as faking research?

A) A whistleblower policy

B) A credo

C) An ethics committee

D) A values statement

Answer: C

Diff: 3 Page Ref: 82

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

20) Which federal law provides protection to whistleblowers who disclose financial fraud in publicly traded corporations?

A) The Foreign Corrupt Practices Act

B) Title VII

C) The ADA

D) Sarbanes-Oxley Act

Answer: D

Diff: 2 Page Ref: 82

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

21) Which of the following is not true of most whistleblower policies?

- A) The policy encourages reporting unethical conduct.
- B) Those who report violations are protected from retaliation except when an informant is incorrect about the alleged wrongdoing.
- C) Alternative reporting procedures are provided when those to whom the report must be given are involved in the wrongdoing.
- D) A provision is made for anonymous reporting.

Answer: B

Diff: 3 Page Ref: 82

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

22) A positive role model for corporate whistleblowers is

- A) Kenneth Lay.
- B) Jack Welch.
- C) Milton Friedman.
- D) Sherron Watkins.

Answer: D

Diff: 2 Page Ref: 82-83

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

23) How can managers influence the ethical behavior of employees in their units?

- A) Share useful information.
- B) Keep confidences.
- C) Respect employees.
- D) all of the above

Answer: D

Diff: 2 Page Ref: 83

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

24) Which of the following is a good guideline to follow when making ethical decisions?

- A) Examine the consequences and avoid examining the proposed procedures.
- B) Get feedback from a trusted friend before acting.
- C) Avoid thinking too far ahead to the consequences of how the decision will look when made public.
- D) Act quickly on your instinct before considering too many alternatives.

Answer: B

Diff: 3 Page Ref: 83

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

25) Which of the following is not a test of ethical decisions?

- A) The good neighbor test
- B) Personal gain test
- C) Front-page test
- D) Golden-rule test

Answer: A

Diff: 2 Page Ref: 85

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

26) When you ask yourself whether you would be willing to be treated in the same manner, which ethical test is being used?

- A) The good neighbor test
- B) Personal gain test
- C) Front-page test
- D) Golden-rule test

Answer: D

Diff: 2 Page Ref: 85

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

27) Tips for making ethical business decisions include all of the following except

- A) take time to learn the facts.
- B) consider the financial facts.
- C) identify the people impacted by the decision.
- D) identify the ethical concerns.

Answer: B

Diff: 3 Page Ref: 84

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

28) Which would you recommend to a team looking for ways to improve their ethical climate?

- A) Require that all team members learn the code of ethical conduct.
- B) Recognize and reward ethical behavior in team members.
- C) Ensure that unethical behavior is not tolerated by the team.
- D) all of the above

Answer: D

Diff: 3 Page Ref: 84

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

- 29) An example of a supervisor misusing discipline occurs when
- A) using rumors as a basis to apply discipline to a targeted employee without giving the employee an opportunity to defend his or her conduct.
 - B) spending performance appraisal time focusing on areas of improvement.
 - C) terminating an employee for stealing a computer.
 - D) investigating plausible complaints of sexual harassment.

Answer: A

Diff: 2 Page Ref: 84

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

- 30) When a manager closely monitors the behavior of a disliked employee, looking for the opportunity to punish the employee, while giving more slack to employees who are favored by the supervisor is an example of which type of ethical dilemma at work?

- A) Performance appraisal
- B) Employee discipline
- C) Romantic relationships
- D) Gift giving

Answer: B

Diff: 1 Page Ref: 85

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

- 31) Which of the following is not a guideline for giving discipline in a fair and impartial way?

- A) Notify employees in advance of the company rules and consequences for violating them.
- B) Investigate the facts of misconduct before applying discipline.
- C) Be consistent in the response to rule violations.
- D) Give a verbal warning to top performers when late and give a written warning to low performers when late.

Answer: D

Diff: 1 Page Ref: 86

Objective: LO1

AACSB: Ethical understanding and reasoning abilities

- 32) A basic suggestion for ethical employee conduct in a romantic relationship in the workplace is

- A) totally ban romantic relationships.
- B) allow co-workers to take sides when a romantic relationship ends so the parties feel supported.
- C) prohibit employees from dating people they directly supervise.
- D) immediately transfer both parties when a romantic relationship ends.

Answer: C

Diff: 2 Page Ref: 86

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

33) When a manager gives flowers to her secretary on Secretaries Day, this is an example of

- A) an ethical dilemma.
- B) constructive gift giving.
- C) an inappropriate gift.
- D) a bribe.

Answer: B

Diff: 2 Page Ref: 86

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

34) A good first step in deciding the ethical appropriateness of accepting a gift from a vendor or employee is to think about

- A) how much it costs.
- B) the spirit in which it was given.
- C) how a manager or co-worker would perceive the gift and the person who gave it.
- D) how likely it would be that others would learn about it.

Answer: C

Diff: 2 Page Ref: 86

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

35) A common approach companies use to avoid conflicts of interest in gift giving is to have a gift policy that

- A) lists acceptable gifts.
- B) limits the dollar value to a modest amount.
- C) lists acceptable companies from whom to accept gifts.
- D) requires gifts be donated to charities.

Answer: B

Diff: 2 Page Ref: 87

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

36) The laws and ethics related to giving gifts in cultures outside the United States are

- A) highly diverse.
- B) significantly more rigid across all cultures.
- C) significantly more loose across all cultures.
- D) generally the same as the United States.

Answer: A

Diff: 2 Page Ref: 87

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

37) Countries like Iraq, Sudan, and Somalia that ranked low on the Corruption Perceptions Index are

- A) the most ethical.
- B) most likely to tolerate bribery as a business practice.
- C) least likely to tolerate bribery as a business practice.
- D) equal in the perception of ethics to the United States.

Answer: B

Diff: 3 Page Ref: 88

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

38) On the 2009 Corruption Perceptions Index, the United States scored

- A) in the bottom 10%.
- B) as the most ethical nation.
- C) 19th out of 180.
- D) as the least ethical nation.

Answer: C

Diff: 3 Page Ref: 88

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

39) The duty a company has to conduct its affairs ethically in a manner that benefits both employees and the larger society is known as

- A) ethics.
- B) a values statement.
- C) profit maximization.
- D) social responsibility.

Answer: D

Diff: 2 Page Ref: 88

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

40) Research indicates that social responsibility

- A) is related to higher financial performance.
- B) requires a narrow focus on producing goods and services for profit only.
- C) does not include caring for the natural environment.
- D) does not impact the company's ability to recruit better quality job applicants.

Answer: A

Diff: 3 Page Ref: 88-89

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

41) When Levi Strauss lost market share and profits decreased in the late 1990s, shareholders blamed the CEO for

- A) failing to address a social responsibility agenda.
- B) focusing too narrowly on only profit maximization.
- C) giving too high a priority to corporate social responsibility.
- D) giving market share to Wrangler.

Answer: C

Diff: 2 Page Ref: 90

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

42) A firm that has let social responsibility dominate its business strategy in a way that distracted management's attention from earning profits is

- A) Enron.
- B) Ben & Jerry's Ice Cream.
- C) Starbucks
- D) WorldCom.

Answer: B

Diff: 2 Page Ref: 90

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

43) Economist Milton Friedman argues that management should

- A) focus only on financial returns.
- B) focus only on corporate social responsibility.
- C) focus both on financial and social responsibilities.
- D) add social costs only if the company is making a profit.

Answer: A

Diff: 2 Page Ref: 90

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

44) Which of the following is not a benefit of social responsibility?

- A) Socially responsible companies are good corporate citizens to the community and to the environment.
- B) Socially responsible companies have fewer conflicts with stakeholder groups who disagree with the company over how it uses its resources.
- C) Socially responsible companies may divert needed resources for improving the business into social responsibility projects.
- D) Corporate social responsibility is related to higher financial performance.

Answer: C

Diff: 2 Page Ref: 90

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

45) When Ben & Jerry's Ice Cream company profits declined and the stock price decreased, the company

- A) stopped its commitment to social responsibility.
- B) continued its socially responsible style.
- C) restructured to boost profits.
- D) laid off hundreds of workers.

Answer: B

Diff: 2 Page Ref: 91

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

46) Organizational stakeholders

- A) are only those in the external environment such as customers.
- B) are stockholders.
- C) may be part of both the internal or external environment of an organization.
- D) are only those internal who have an interest in the organization such as employees.

Answer: C

Diff: 2 Page Ref: 91

Objective: LO5

47) Organizational stakeholder groups

- A) may not always have the same interests.
- B) always have the same ultimate vested interests in how the organization uses its resources.
- C) are consistent with management interests.
- D) seldom exert pressure on management.

Answer: A

Diff: 1 Page Ref: 91

Objective: LO5

48) Large investors in companies

- A) can put pressures on the boards of directors to dismiss CEOs.
- B) want a reasonable financial return on their investment.
- C) are more likely to be actively involved in influencing management through the board of directors or by voicing their concerns at shareholder meetings than small investors.
- D) all of the above

Answer: D

Diff: 3 Page Ref: 92

Objective: LO5

49) The 1997 Teamsters Union strike against UPS demonstrated the power of which stakeholder group?

- A) Community
- B) Social activist groups
- C) Employees
- D) Customers

Answer: C

Diff: 3 Page Ref: 92

Objective: LO5

AACSB: Reflective thinking skills

50) When McDonald's opposes an increase in the minimum wage, which stakeholder group are they trying to influence?

- A) Employees
- B) Government
- C) Community
- D) Social activist groups

Answer: B

Diff: 3 Page Ref: 92-93

Objective: LO5

AACSB: Reflective thinking skills

51) Walmart decided not to build stores in several towns in Maine as a result of pressure from which stakeholder group?

- A) Employees
- B) Government
- C) Community
- D) Social activist groups

Answer: C

Diff: 3 Page Ref: 92-93

Objective: LO5

AACSB: Reflective thinking skills

52) The Rainforest Action Network (RAN), People for the Ethical Treatment of Animals (PETA), and the National Council of Churches are examples of which type of stakeholder group?

- A) Employees
- B) Government
- C) Community
- D) Social activist groups

Answer: D

Diff: 3 Page Ref: 94

Objective: LO5

AACSB: Reflective thinking skills

53) When companies use the courts or lobby against legislation, which approach are they using to deal with a stakeholder?

- A) Confrontation strategy
- B) Damage control strategy
- C) Accommodation strategy
- D) Proactive strategy

Answer: A

Diff: 2 Page Ref: 95

Objective: LO6

54) When Colgate-Palmolive adopted a failing junior high school in Harlem and contributed funds and personnel to renovate and restructure the school, they were using which approach to dealing with stakeholders?

- A) Confrontation strategy
- B) Damage control strategy
- C) Accommodation strategy
- D) Proactive strategy

Answer: D

Diff: 2 Page Ref: 95

Objective: LO6

AACSB: Reflective thinking skills

55) The approach to dealing with stakeholder concerns that has the highest commitment to social responsibility is

- A) Confrontation strategy
- B) Damage control strategy
- C) Accommodation strategy
- D) Proactive strategy

Answer: D

Diff: 2 Page Ref: 95

Objective: LO6

AACSB: Ethical understanding and reasoning abilities

56) Business ethics is the same thing as laws.

Answer: FALSE

Diff: 1 Page Ref: 74

Objective: LO1

AACSB: Ethical understanding and reasoning abilities

57) The justice approach is more flexible than other ethical approaches because it recognizes that standards of fairness vary depending on the individuals involved in the decision.

Answer: TRUE

Diff: 3 Page Ref: 77

Objective: LO1

AACSB: Ethical understanding and reasoning abilities

58) Eli Lilly & Company's policy that employees may not conduct business with a company with which they or their relatives are associated, unless Eli Lilly has given specific approval and authorization, is an example of an ethical policy statement.

Answer: TRUE

Diff: 2 Page Ref: 79

Objective: LO2

AACSB: Ethical understanding and reasoning abilities

59) Very few large companies provide ethics training to create a more ethical climate.

Answer: FALSE

Diff: 1 Page Ref: 81

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

60) In recognizing the importance of having officers set examples for enlisted personnel, the U.S. military holds officers to a higher standard of conduct than other military personnel.

Answer: TRUE

Diff: 2 Page Ref: 83

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

61) The front-page test in making ethical choices asks "How would I feel if my decision became a headline in a local newspaper?"

Answer: TRUE

Diff: 1 Page Ref: 85

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

62) Few companies actually ban romantic relationships in the workplace.

Answer: TRUE

Diff: 2 Page Ref: 86

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

63) Managers seeking to do business within foreign cultures that are more tolerant of bribery and kickbacks should use these practices to avoid losing business.

Answer: FALSE

Diff: 3 Page Ref: 87

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

64) Social responsibility ultimately leads to improved odds of long-term survival for the organization.

Answer: TRUE

Diff: 2 Page Ref: 88

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

65) Stakeholder groups have specific interests that are in agreement with the interests of management and other stakeholder groups.

Answer: FALSE

Diff: 2 Page Ref: 91

Objective: LO5

AACSB: Ethical understanding and reasoning abilities

66) What are business ethics? Are they the same thing as laws? Explain.

Answer: Business ethics provide standards or guidelines for the conduct and decision making of employees and managers. Business ethics are not the same thing as laws. Law and ethics are in agreement in some situations but not in others. For example, it is both illegal and unethical to steal merchandise from an employer, but often it is not illegal to engage in conduct that is unethical (such as taking credit for another employee's work).

Diff: 2 Page Ref: 74

Objective: LO1

AACSB: Ethical understanding and reasoning abilities

67) Describe the four key ethical approaches when making business decisions.

Answer: The four key ethical approaches are utilitarianism, individualism, the rights approach, and the justice approach. Utilitarianism is a means of making decisions based on what is good for the greatest number of people. Individualism is the belief that personal self-interests should be promoted as long as they do not harm others. The belief that each person has fundamental human rights that should be respected and protected is the rights approach. Treating all people fairly and consistently when making decisions is the basis of the justice approach.

Diff: 2 Page Ref: 75-77

Objective: LO1

AACSB: Ethical understanding and reasoning abilities

68) What is a code of ethics? How does it differ from a corporate credo and an ethical policy statement?

Answer: A code of ethics is a formal statement of ethics and values that is designed to guide employee conduct in a variety of business situations. A corporate credo details a company's responsibility to its stakeholders. An ethical policy statement is a firm's formal guidelines that provide specific formulas for employees' ethical conduct. This informs employees of acceptable standards of conduct.

Diff: 3 Page Ref: 79

Objective: LO2

AACSB: Ethical understanding and reasoning abilities

69) What is most likely to be included in an ethics training course?

Answer: Most ethics training courses will include messages from top executives emphasizing ethical business practices, a discussion of codes of ethics, and procedures for discussing or reporting unethical behavior.

Diff: 2 Page Ref: 81

70) Describe the key features that should be included in a whistleblower policy.

Answer: Whistleblower policies should include the following elements:

- Encourage reporting unethical conduct and procedures to deal fairly with reported violations.
- Protection from retaliation for those who report violations.
- Alternative procedures when the employee's supervisor is the one being reported for wrongdoing.
- Provision for anonymous reporting.
- Feedback on violations to employees so they are aware that the policy is being taken seriously.
- Top management support and involvement.

Diff: 2 Page Ref: 82

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

71) How can managers influence the ethical behavior of their direct reports?

Answer: Managers can influence the ethical behavior of their direct reports in the following ways:

- Take actions that develop trust.
- Act consistently.
- Be truthful and avoid white lies and other actions designed to manipulate people by giving a false impression.
- Demonstrate integrity by keeping confidences and showing concern for others.
- Meet with employees to discuss and define what is expected of them.
- Ensure that employees are treated equitably.
- Adhere to clear standards that are seen as just and reasonable.
- Respect employees, showing openly that you care and recognize their strengths and contributions.

Diff: 2 Page Ref: 83

Objective: LO3

AACSB: Ethical understanding and reasoning abilities

72) How do managers misuse discipline?

Answer: Managers can misuse discipline by making it a way to intimidate employees they do not like or for retribution when an employee makes a mistake. When a supervisor uses employee discipline for purposes of revenge rather than to correct an inappropriate behavior, the abuse of power is unethical. Closely monitoring the behavior of a disliked employee to find an opportunity to punish the employee or using rumors and unsubstantiated evidence as a basis to apply discipline without giving the employee an opportunity to defend his or her conduct are additional examples of misusing discipline.

Diff: 2 Page Ref: 85

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

73) What is a good test of the ethical appropriateness of accepting a gift?

Answer: A test of the ethical appropriateness of accepting the gift would be to first think about how a manager or co-worker would perceive the gift and the person who gave it. If you would feel uncomfortable explaining the gift, the discomfort probably means it would be ethically problematic.

Diff: 1 Page Ref: 86

Objective: LO4

AACSB: Ethical understanding and reasoning abilities

74) What is social responsibility?

Answer: Social responsibility is the belief that corporations have a responsibility to conduct their affairs ethically to benefit both employees and the larger society. Caring for the natural environment is one of several dimensions of social responsibility that must be considered in the allocation of a firm's resources.

Diff: 1 Page Ref: 88

Objective: LO5

AACSB: Ethical understanding and reasoning abilities

75) What are the benefits and costs of social responsibility?

Answer: The benefits of social responsibility include the following:

- Socially responsible companies are good corporate citizens to the community and to the environment.
- Socially responsible company policies can enhance the image of a company as well as its product brands from the perspective of the consumers.
- Socially responsible companies have fewer conflicts with stakeholders who disagree with the company over how it uses its resources.
- Socially responsible companies are more likely to influence stakeholders to become loyal customers and become advocates of the company's products.
- Research shows that corporate social responsibility is related to higher financial performance and the ability to recruit better quality job applicants.

The costs of social responsibility include the following:

- Socially responsible companies may lose focus on the business goals while focusing on goals related to good corporate citizenship.
- Socially responsible companies may divert needed resources for improving the business into social responsibility projects, which could put a company at a competitive disadvantage.

Diff: 3 Page Ref: 89-90

Objective: LO5

AACSB: Ethical understanding and reasoning abilities

76) What are organizational stakeholders? Provide examples.

Answer: Stakeholders are the groups or individuals who have an interest in the performance of the enterprise and how it uses its resources, including employees, customers, and shareholders. Examples of owners include board members, mutual funds and employee pension funds. Examples of employees include retirees, new employees, and labor unions. Examples of governments include federal agencies, foreign governments, and local governments. Customers include business purchasers and consumers. Community can include United Way, public schools and the local media. Social activist groups and competitors are also organizational stakeholder groups to consider.

Diff: 3 Page Ref: 91-93

Objective: LO5

AACSB: Ethical understanding and reasoning abilities

77) Discuss the impact of social activist groups on the social responsibility of organizations.

Answer: A business practice that runs counter to an important goal of a social activist group may result in negative media attention for the company or even a product boycott orchestrated by the social activist group. Although corporations cannot always satisfy such groups, it is often in their best interests to compromise with social activist groups to avoid being the focus of a campaign that can badly damage their reputation.

Diff: 3 Page Ref: 94

Objective: LO5

AACSB: Ethical understanding and reasoning abilities

78) To analyze the need to balance the interests of a variety of stakeholder groups, what questions should management ask?

Answer: When a stakeholder group makes demands on a firm, management should first perform an analysis by answering the following questions:

- Who are the stakeholders?
- How are the stakeholders affected by the company policies?
- What are the stakeholders' interests in the business?
- How have the stakeholders behaved in the past, and what coalitions are they likely to form around their issues?
- How effective have the company's strategies been in dealing with these and other stakeholders?
- What new strategies and action plans need to be formulated to deal effectively with the stakeholders?

Diff: 2 Page Ref: 94

Objective: LO6

AACSB: Ethical understanding and reasoning abilities

79) Describe the four general approaches to dealing with stakeholders.

Answer: The four general approaches to dealing with stakeholders are the confrontation, damage control, accommodation, and proactive strategies. The confrontation strategy is used with a stakeholder group whose goals are perceived to threaten company performance; the firm may use the courts, engage in public relations, or lobby against legislation. Damage control is a means a firm may use to deal with a stakeholder group when it decides that it may have made mistakes and wants to improve its relationship with the stakeholders and to elevate its public image. Accommodation is a means of dealing with stakeholder groups when a firm decides to accept social responsibility for its business decisions after pressure has been exerted by stakeholder groups. And the proactive strategy is a means of dealing with stakeholders when a firm determines that it wants to go beyond stakeholder expectations.

Diff: 2 Page Ref: 95

Objective: LO6

AACSB: Ethical understanding and reasoning abilities

80) What are the eight steps to sound ethical decision making suggested by Barbara DeLong?

Answer: Barbara DeLong suggested eight steps to sound ethical decision making. These are as follows:

1. Gather the facts.
2. Define the ethical issues.
3. Identify the affected parties.
4. Identify the consequences.
5. Identify your obligations.
6. Consider your character and integrity.
7. Think creatively about your potential actions.
8. Check your gut feelings.

Diff: 2 Page Ref: 97

Objective: LO6

AACSB: Ethical understanding and reasoning abilities