***Chapter 2***

***Contemporary Issue in Business Ethics***

***Multiple Choice Questions***

***Bono: I Still Haven’t Found The Tax Rate That I’m Looking For***

1. What is the name of the company that specializes in tax shelters for high income clients?

a. Prontogroup

b. **Promogroup**

c. Presentogroup

d. Placogroup

***Difficulty: Medium Page 14***

2. Which country is the location of the company that specializes in tax shelters?

a. Switzerland

b. Cayman Islands

c. **Netherlands**

d. Ireland

***Difficulty: Easy Page 14***

3. Which of the following musical artists did NOT use Promogroup to reduce their taxes?

a. U2

b. The Rolling Stones

c. Elvis Presley

d. **Kiss**

***Difficulty: Easy Page 14***

4. Bono wrote the forward to which book?

a. The End of Hunger

b. The End of Suffering

c. **The End of Poverty**

d. The End of Injustice

***Difficulty: Difficult Page 14***

5. Approximately what percentage of U2’s revenue is generated outside their native Ireland?

a. 65 %

b. 75 %

c. 85 %

d. **95 %**

***Difficulty: Medium Page 15***

***History of Business Ethics***

6. Ethos is Greek for:

a. values

b. morals

c. **character**

d. ethics

***Difficulty: Medium Page 15***

7. Which ancient philosophy stated that a true friend would tell another friend when he or she is acting selfishly and foolhardily?

a. Socrates

b. **Aristotle**

c. Plato

d.Xenocrates

***Difficulty: Difficult Page 15***

8. Which of the following companies was not given a monopolistic charter by the royalty of the United Kingdom?

a. Hudson Bay Company

b. **Atlantic and Pacific Company**

c. East India Company

d. Massachusetts Bay Company

***Difficulty: Difficult Page 15***

9. Which decade was the first major ethical era of environmental issues?

a. 1960s

b. **1970s**

c. 1980s

d. 1990s

***Difficulty: Medium Page 15***

10. Which decade was the ethical era of social unrest?

a. **1960s**

b. 1970s

c. 1980s

d. 1990s

***Difficulty: Easy Page 15***

11. Which decade was the ethical era of the savings and loan scandal?

a. 1960s

b. 1970s

c. **1980s**

d. 1990s

***Difficulty: Medium Page 15***

12. Which era was the ethical era of globalization issues?

a. 1960s

b. 1970s

c. 1980s

d. **1990s**

***Difficulty: Medium Page 16***

***The Role of Integrity***

13. “A firm adherence to a code of especially moral or artistic values” is the definition of:

a. ethics

b. scruples

c. **integrity**

d. creditability

***Difficulty: Easy Page 16***

14. Integrity can be defined as:

a. the ability to ensure that the decision maker considers what is best for the firm’s stakeholders

b. **the ability to ensure a firm adherence to specific moral values**

c. the ability to ensure that everyone who is impacted by a decision is satisfied with the final result

d. the ability to ensure that a person’s individual ethical values are consistent with the firm’s ethical values.

***Difficulty: Medium Page 16***

15. Which of the following is not a test that can be used to validate the integrity of a decision maker’s actions?

a. publicity

b. **stakeholder**

c. universality

d. reciprocity

***Difficulty: Medium Page 16***

***Specific Behaviors of High Integrity***

16. Which of the following is not a specific behavior of high integrity?

a. humility

b. truthful

c. **earnestness**

d. fairness

***Difficulty: Medium Page 17***

17. Which of the following is not a specific behavior of high integrity?

a. takes responsibility

b. develop others

c. extend self for others

d. **consults others before making a decision**

***Difficulty: Medium Page 18***

***The Ethical Cycle***

18. Which is the correct sequence of steps in the ethical cycle?

a. problem analysis; ethical judgment; options for actions

b. ethical judgment; problem analysis; options for actions

c. **problem analysis; options for actions; ethical judgment**

d. ethical judgment; problem analysis; options for actions

***Difficulty: Medium Page 19***

19. What step comes before ethical judgment in the ethical cycle?

a. moral problem statement

b. **options for actions**

c. problem analysis

d. reflection

***Difficulty: Medium Page 19***

20. What step comes after problem analysis in the ethical cycle?

a. moral problem statement

b. reflection

c. ethical judgment

d. **options for actions**

***Difficulty: Medium Page 19***

***Using Ethical Decisions to Build Character***

21. A “defining moment” refers to:

a. the decision maker defining the different course of action

b. the decision maker defining what is ethical and unethical

c. the decision maker defining what is ethical based on a specific set of circumstances

d. **the decision maker choosing between two plausible and acceptable options**.

***Difficulty: Medium Page 20***

22. Which of the following is not a question asked when developing defining moments?

a. Who am I?

b. Who are we?

c. **Who do we serve?**

d. Who is the company?

***Difficulty: Medium Page 21***

23. “What creative ideas can I develop as a company executive to help convert my ethical vision into a personal and organizational reality” is based on which defining moment question?

a. Who am I?

b. Who are we?

c. Who do we serve?

d. **Who is the company?**

***Difficulty: Difficult Page 21***

24. “What point of view would be considered supportive to the general beliefs of other employees within the organization” is based on which defining moment question?

a. Who am I?

b. **Who are we?**

c. Who do we serve?

d. Who is the company?

***Difficulty: Difficult Page 21***

***Ethical Managers Are Able to Make Their Own Rules***

25. Which company refused to make a profit selling chocolate given to soldiers during a war?

a. **Cadbury**

b. Mars

c. Roundtree

d. Hershey

***Difficulty: Medium Page 21***

26. What is the most realistic evaluation of the ethical conduct of a firm?

a. examining their code of ethics

b. examining how their image is presented in the media

c. examining how they identify their critical stakeholders

d. **examining their everyday actions**

***Difficulty: Medium Page 22***

***Is Everyone Unethical?***

27. The question “Is Everyone Unethical?” is based on the concept that:

a. Every human has a dark side which can lead to unethical activities

b. Every human has done some unethical activities during his/her lifetime

c. **Every human may implement actions which he/she believes are ethical while others perceive the actions as unethical**

d. Every human must do unethical activities to survive.

***Difficulty: Easy Page 22***

28. Which of the following is not one of the avenues in which unintentional unethical behavior may be developed?

a. Implicit Prejudice

b. In-Group Favoritism

c. **Irrational Selection**

d. Conflicts of Interest

***Difficulty: Medium Page 22***

29. Which unintentional unethical behavior occurs when a decision maker supports a decision based on relying on unconscious stereotypes?

a. **Implicit Prejudice**

b. In-Group Favoritism

c. Irrational Selection

d. Conflicts of Interest

***Difficulty: Medium Page 22***

30. Which unintentional unethical behavior occurs when the decision maker favors individuals with the same interests as the decision maker?

a. Implicit Prejudice

b. **In-Group Favoritism**

c. Irrational Selection

d. Conflicts of Interest

***Difficulty: Medium Page 22***

31. Which unintentional unethical behavior occurs when the decision maker favors a solution in which there would be personal benefits?

a. Implicit Prejudice

b. In-Group Favoritism

c. Irrational Selection

d. **Conflicts of Interest**

***Difficulty: Medium Page 23***

32. Which of the following is not one of the Ten Myths about Business Ethics (Table 2-1)?

a. Business ethics equals corporate social responsibility

b. **Business ethics must be based on financial rewards**

c. Business ethics is based on legal compliance

d. Business ethics is a theoretical and abstract philosophical concept

***Difficulty: Medium Page 23***

33. Which of the following is not on of the Ten Myths about Business Ethics (Table 2-1)?

a. Business ethics is more of a focus on religion than on effective management.

b. Companies assume that they select and train ethical employees who will always do the right thing.

c. Business ethics is used by ethical people to correct what unethical people do.

d. **Business ethics is based on the premise that every employee is unethical at some point in their career.**

***Difficulty: Easy Page 23***

34. Which of the following is not a benefit for firms to focus on ethical issues in the workplace?

a. Attention to business ethics has substantially improved society

b. Ethics programs promote a strong public image

c. Ethics programs support employee growth and meaning

d. **Ethics programs guarantee better financial returns for the firm**

***Difficulty: Easy Page 24***

35. Which of the following is not a benefit for firms to focus on ethical issues in the workplace?

a. Ethics programs help maintain a moral course in turbulent times

b. Ethics programs cultivate strong teamwork and productivity

c. **Ethics programs are a requirement for international expansion of the firm**

d. Ethics programs help avoid criminal acts “of omission” and can lower fines.

***Difficulty: Easy Page 24***

36. Which of the following is not a current ethical issue facing Chinese firms?

a. corruption

b. labor disputes

c. environmental hazards

d. **poor employee training**

***Difficulty: Difficult Page 24***

***Knowing “Right” from “Wrong”***

37. Which of the following is not a traditional stakeholder?

a. suppliers

b customers

c. **competitors**

d. investors

***Difficulty: Easy Page 24***

***Rationalizing Unethical Behaviors***

38. Which of the following is not one of the concepts used to determine ethical behaviors?

a. Transparency

b. Effect

c. Fairness

d. **Equal**

***Difficulty: Medium Page 25***

39. Determining what is equal for everyone who is impacted by the decision is called:

a. Transparency

b. Effect

c. **Fairness**

d. Equal

***Difficulty: Medium Page 25***

40. Making sure others know what one has decided is called:

a. **Transparency**

b. Effect

c. Fairness

d. Equal

***Difficulty: Medium Page 25***

41. Which of the following is not one of the eight rationalizations for ethical compromise (Table 2-2)?

a. I have to do questionable actions to achieve my objectives

b. **My competitors do unethical activities and I must compete against them**

c. I don’t have the time to follow an ethical course of action

d. I am hesitant to take the right course of action

***Difficulty: Difficult Page 26***

42. Which of the following is not one of the eight rationalizations for ethical compromise (Table 2-2)?

a. I don’t have the resources to follow an ethical course of action

b. My fellow colleagues expect me to behave in an unethical manner

c. **I am rewarded for unethical behavior**

d. I believe that my actions are neither wrong nor illegal

***Difficulty: Difficult Page 26***

43. Actions that a decision maker can compromise with established boundaries are called:

a. Compromising actions

b. Negotiated actions

c. **Discretionary actions**

d. Stakeholder actions

***Difficulty: Medium Page 26***

44. Actions which the decision maker can not change are called:

a. Rigid actions

b. Inflexible actions

c. **Nondiscretionary actions**

d. Pre-set actions

***Difficulty: Medium Page 26***

45. Which of the following is not one of the seven steps in the Texas Instruments test?

a. Does it comply with our values?

b. **Did a manager agree with your actions?**

c. If you do it, will you feel bad?

d. How will it look in the paper?

***Difficulty: Difficult Page 26***

46. Which of the following is not a red flag to spot an ethical dilemma (Table 2-3)?

a. It is too insignificant a matter for anyone to notice.

b. Since I was told what to do, I did it.

c**. Since I did it before without any problems, I can do it again.**

d. I am doing this because I don’t want to disappoint a specific person.

***Difficulty: Difficult Page 27***

47. Which of the following is not a red flag to spot an ethical dilemma (Table 2-3)?

a. It is too insignificant a matter for anyone to be hurt by my actions.

b. **My actions will only have a short term impact on others.**

c. Everyone else is doing it, so why should I be the exception

d. If I make this decision, I will not have to deal with this specific person again.

***Difficulty: Difficult Page 27***

***Monitoring Reputations***

48. Which of the following is not a question that is asked during an ethics self-assessment? In the past, have you:

a. taken company property for your own personal use?

b. not completed a task you promised to fulfill?

c. knowingly let a colleague make mistakes that could have been avoided?

d. **knowingly disrupted the actions of a competitor?**

***Difficulty: Difficult Page 28***

49. Which of the following is not a question that is asked during an ethics self-assessment? In the past, have you:

a. Violated a company rule or requirement?

b. Sought out credit and recognition for actions that you did not do?

c. **Purposely charged a higher price for a product to only some of your customers?**

d. Sold a product that was poor quality and/or defective?

***Difficulty: Difficult Page 28***

**Striving for Ethical Behavior**

50. Which of the following is not a reason why a leader should support ethical behavior?

a. Increases trust and respect at all levels

b. Encourages early detection of problem areas and ethics violations

c. **Is mandated by the firm’s board of directors**

d. Helps ensure the long-term viability of the enterprise

***Difficulty: Medium Page 28***

51. Which of the following is not a reason why a leader should support ethical behavior?

a. Reduces pressure on employees to compromise ethical standards

b. Increases employee willingness to report misconduct

c. **Is required before stock options can be issued to the individual**

d. Fosters a positive work culture and improved customer service

***Difficulty: Medium Page 28***

52. Which of the following is not a reason why people make bad decisions?

a. They feel entitled.

b. **They do not think they will be caught.**

c. They lack resources.

d. They do not view the act as illegal.

***Difficulty: Difficult Page 29***

53. Which of the following is not a reason why people make bad decisions?

a. They do not feel loyal to the organization.

b. They feel pressure to succeed.

c. **They have not been long enough with the company to understand all the ethical standards of the company.**

d. They believe that the rules do not apply to them.

***Difficulty: Difficult Page 29***

***Internal and External Current Ethical Issues***

54. Which of the following is not one of the five top reasons why managers try to make sure their firms operate in an ethical manner?

a. They are protecting the brand and reputation of the company.

b. It is the right thing to do.

c. **They could be fired if the firm doesn’t operate in an ethical manner.**

d. It increases the level of investor confidence.

***Difficulty: Difficult Page 29***

55. Which of the following was the number one ranked reason why firms wanted to have a strong ethical commitment in 2005?

a. Pressure from customers

b. **Corporate scandals**

c. Marketplace competition

d. Demands by Investors

***Difficulty: Moderate Page 30***

56. Which of the following is predicted to be the number one ranked reason why firms will want to have a strong ethical commitment in 2010?

a. Corporate Scandals

b. **Globalization**

c. Demand by Investors

d. Market competition

***Difficulty: Moderate Page 31***

**True/False Questions**

57. The name of the company that provides tax shelters in the Netherlands is called Phonogroup.

a. True

b. **False**

***Difficulty: Medium Page 14***

58. All the members of the Rolling Stones used the tax shelter in the Netherlands to reduce their taxes on their royalties.

a. True

b**. False**

***Difficulty: Difficult Page 14***

59. The Hudson Bay Company received a monopolistic charter to create an English colony.

**a. True**

b. False

***Difficulty: Medium Page 15***

60. Each of the past four decades has focused on some ethical issues that are the same and some that are different.

a. **True**

b. False

***Difficulty: Easy Page 15***

61. Integrity can be defined as “a firm adherence to a code of especially moral values”.

a. **True**

b. False

***Difficulty: Easy Page 16***

62. The trusted friend test is also called the Golden Rule.

a. True

b. **False**

***Difficulty: Medium Page 16***

63. “Reproach Unjust Acts” is a specific behavior of high integrity.

a. **True**

b. False

***Difficulty: Medium Page 18***

64. “Include Input from Stakeholders” is a step in the Ethical Cycle model

a. True

b**. False**

***Difficulty: Difficult Page 19***

65. “What can we do?” is a question that is asked when managers determine defining moments.

a. True

b. **False**

***Difficulty: Medium Page 21***

66. Cadbury refused to make a profit selling chocolate to soldiers during the Anglo-Boer war.

a. **True**

b. False

***Difficulty: Difficult Page 21***

67. Claiming Credit for Others’ Actions is an unintentional unethical behavior.

a. True

b. **False**

***Difficulty: Easy Page 23***

68. Showing a colleague the data used to make a decision is an example of transparency

a. **True**

b. False

***Difficulty: Medium Page 25***

69. Self-monitoring of ethical behavior is very easy to accomplish.

a. True

b. **False**

***Difficulty: Easy Page 27***

70. In 2005, the number one reason why managers try to make sure their firms operate in an ethical manner is because it is the right thing to do.

a. True

b. **False**

***Difficulty: Difficult Page 29***

71. **Why has there been a shift in the focus of ethical issues over the past four decades?**

The shift in focus is due primarily to the shift in the interests and needs of society. The 1960’s brought great social upheaval as civil rights, drug use and the environment moved to the forefront of the consciousness of society. As a result, firms had to respond to the new demands of society. Firms had to address these issues because their vested stakeholders: customers, suppliers, communicates, government and the overall society demanded it. The 1970’s can be identified with the end of the Vietnam War and the start of the Environmental Protection Agency. These two events helped drive the ethical focus of the decade. Defense contractors took advantage of the lack of government controls to profit handsomely and the EPA started to put environmental issues in the forefront of ethical discussions. However, overall, the limited level of government regulations to control unethical behavior allowed firms to believe they could get “away” with ethical wrongdoings. The 1980’s may be best represented by Gordon Gekko in Wall Street and Madonna’s “Material Girl”. The decade not only accepted individual self interests but encouraged and rewarded this behavior. As a result, individuals and firms focused on actions that yielded individual self interests. During the same period (maybe a backlash from the “Me” decade), business academic research refocused on the concept of stakeholders where firms and decision makers needed to consider the needs of all the vested parties instead of just themselves. With the international expansion of the 1990’s, stakeholder theory became a major focus as managers became concerned about their public image and reputation. Outsourcing to developing countries resulted in serving the needs of the investors but the customers were not happy about buying products made in sweatshop conditions with “underage” workers. The 1990’s also included the Internet bubble where companies with minimal sales and large losses had large market capitalizations based on “future” growth. These quick young millionaires also encouraged the climate of anything goes as it relates to viewing issues from an ethical standpoint. The net result was the major scandals at Enron, WorldCom and Tyco and the introduction in 2002 of the Sarbanes-Oxley Act.

72. **Can you teach integrity?**

This question should yield lots of thought and discussion. There are those who believe that a trait such as integrity is something that develops as the individual matures and can not be changed once that person has become an adult. An opposing viewpoint would state that there are certain components of integrity that are highlighted on page 17 and 18 that can be taught. The simple answer is that it could depend on the individual. If the individual is not willing to incorporate the components of integrity in decision making then integrity can be taught. However, a more optimistic answer would be that integrity can be taught in the sense that the decision makers can use the components as a checklist when they self-monitor their own behavior to ensure that they have a high level of integrity.

73. **You have received an anonymous tip that one of your subordinates is stealing office supplies from the storage cabinet. Use the Ethical Cycle to evaluate what you should do to resolve the issue.**

**Step 1: Moral Problem Statement-**One of my employees has been accused by an unknown source of stealing office supplies. All the employees in my department will be directly impacted by the resolution of the problem and all the employees of the company will be indirectly impacted by the resolution of the problem. The moral issue is that stealing is morally wrong.

**Step 2: Problem Analysis**- Employees are impacted by the problem. The moral value is the unethical behavior of stealing. The relevant information includes only one source. As a result, additional information needs to be obtained which could include: obtaining information from other employees, trying to identify if a large quantity of office supplies have been taken, determining the reason for the employee to steal the office supplies.

***Step 3: Options for Action-***Options would be developed once the manager is comfortable with the level and quality of information pertaining to the issue. As this point, the manager could confront the employee if he or she believes there is enough evidence. Alternatively, the manager may drop the issue if the evidence does not warrant any further investigation.

**Step 4: Ethical Judgment-** The ethical judgment in this scenario would be two steps which would be: whether to confront the employee or not and adjust the ethical training program and potentially the code of ethics to ensure that stealing office supplies is clearly considered to be unethical behavior by the firm.

**Step 5: Reflection**- The reflection stage would include the final determination as to what specifically needs to be done by the manager to resolve the issue. Again after the final determination is established as to whether to continue with the investigation, the manager needs to also consider whether these anonymous tips will take place in the future if he or she does not pursue the matter further.

**Step 6: Morally Acceptable Action**- This is the final course of action taken by the decision maker.

**74. Have you had a make a defining moment decision in the past?**

Again, there could be multiple approaches to answer this question. Some students may write about deciding which College/University to attend. Some students may write about whether or not to be a whistle blower from their perspective as a student and/or an employee.

75. **What are the four types of unintentional unethical behavior? Provide an example of when you may have had unintentional unethical behavior in the past**.

The four types of unintentional unethical behavior are: implicit prejudice, in-group favoritism, claiming credit for others actions, and conflicts of interest. One question to ask is how do you make new friends. What determines whether they would be considered to be friends in your future? If the students state they “hang out” with people who have the same interests and same cultural background, they may be guilty of implicit prejudice and in-group favoritism. You can also ask those students in a sorority and fraternity would they also hire someone from their same Greek organization if they could. If you have graded group activities in the class, you can ask each member to evaluate their contribution to verify whether they are “Claiming Credit for Others’ Actions”. You can also ask whether they have ever made a decision that would ensure their own self interest was served first which is the case under “Conflicts of Interest”.