

## Defining Business Ethics

### True / False Questions

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

True   False

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

True   False

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

True   False

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

True   False

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

True   False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True   False

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

True   False

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

True   False

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

True   False

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

True   False

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

True   False

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

True   False

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

True   False

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

True   False

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

True   False

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

True   False

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

True   False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True   False

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

True   False

### Multiple Choice Questions

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

- A. Business structuralism
- B. Business contingency
- C. Business ethics
- D. Business sourcing

42. Business ethics:

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

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

- A. descriptive
- B. normative
- C. preventative
- D. prescriptive

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

- A. descriptive
- B. prohibitive
- C. normative
- D. preventative

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

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



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

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

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

- A. The descriptive dimension of business ethics evaluates the degree to which the observed customs, attitudes, and rules of a business are ethical.
- B. Business ethics should ideally not reflect the ethical concepts of the society within which an organization functions.
- C. The normative dimension of business ethics is a summation of the customs, attitudes, and rules that are observed within a business.
- D. Business ethics should not be applied as a separate set of moral standards or ethical concepts from general ethics.

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

- A. stakeholder
- B. moderator
- C. mediator
- D. crossholder

49. Which of the following is true of stakeholders?

- A. Not every stakeholder is relevant in every business situation.
- B. The stakeholders of an organization are not affected by its unethical behavior.
- C. The cancellation of an organization's dividends has no impact upon stakeholders.
- D. Creditors are not considered the stakeholders of an organization.

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

- A. The different stakeholders of GeoTransmit will be affected in different ways.
- B. Geotransmit's decision to hide its losses from investors will not impact the economy.
- C. None of GeoTransmit's stakeholders will be affected adversely by its decision.
- D. GeoTransmit's decision to hide its losses from investors cannot be considered unethical.

51. \_\_\_\_ is the system that directs and controls business organizations.

- A. Business structuralism
- B. Organizational resonance
- C. Retail optimization
- D. Corporate governance

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

- A. It plays no role in enforcing ethical behavior in the workplace.
- B. It is the process by which the government nationalizes corporations.
- C. It is the system by which business corporations are directed and controlled.
- D. It is the entity responsible for the execution of a company's CSR policy.

53. The standard of corporate governance:

- A. allows select corporations to monitor the ethical conduct of government officials.
- B. plays no role in regulating the ethical behavior of senior executives in an organization.
- C. ensures that officers of an organization fulfill their obligations to their stakeholders.
- D. plays no role in regulating the ethical behavior of employees in an organization.

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

- A. It is a set of guidelines that has been universally adopted by all business organizations.
- B. It does not ensure that an organization's officers fulfill their obligations to stakeholders.
- C. It focuses on establishing a leadership pipeline for an organization.
- D. It appears to be at its lowest level in recent business history.

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

- A. small, new businesses tend to be less honest than large, established businesses.
- B. the recent spate of financial scandals portrays organizations as fundamentally unethical.
- C. the standard of corporate governance has been at its highest level in the last decade.
- D. local businesses tend to have fewer accounting scandals than international businesses.

56. The code of ethics is intended to:

- A. prevent managers and employees from making everyday decisions unsupervised.
- B. guide managers and employees in making sound decisions and choices every day.
- C. liberate the chief executive officer from any constraints placed by the board of directors.
- D. decrease the independence of the board of directors and reduce the power of shareholders.

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

- A. business matrix
- B. code of ethics
- C. internal channel
- D. external channel

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

- A. It clarifies an organization's cornerstones to its employees, managers, and stakeholders.
- B. It allows the board members of an organization to be accountable only to themselves.
- C. It allows chief executive officers unrestrained power in the decision-making process.
- D. It works with the standards of corporate governance to limit employees' independence.

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

- A. Fewer small businesses adopt a formal code of ethics now than they did in the past.
- B. The codes are structured to empower employees to make effective decisions confidently.
- C. The codes prescribe appropriate courses of action for every business situation in detail.
- D. Fewer international organizations adopt a formal code of ethics now than in the past.

60. As an internal document, the code of ethics should represent a clear guide to \_\_\_\_ in making the decisions and choices they face every day.
- A. managers and employees
  - B. competitors and consumers
  - C. stockholders and shareholders
  - D. retailers and wholesalers
61. Over the last five decades, the issue of corporate social responsibility has advanced from an abstract debate to a core \_\_\_\_ issue with clearly established legal liabilities.
- A. performance-assessment
  - B. profit-oriented
  - C. internal-relations
  - D. profit-minimization
62. Which of the following changes has occurred in the business environment over the last five decades?
- A. The code of ethics has moved from performance-measurement documents to cosmetic public relations documents.
  - B. Senior executives of a company are no longer required to be accountable to the board of directors and their stakeholders.
  - C. Corporate ethics has moved from the organizational mainstream into the domain of legal and human resource departments.
  - D. Corporate social responsibility has advanced from an abstract debate to a core performance-assessment issue.

63. Over the last five decades, corporate ethics has moved from the domain of human resource departments into the \_\_\_\_.
- A. legal department
  - B. finance and accounting department
  - C. talent management portfolio
  - D. organizational mainstream
64. Which of the following is true of corporate ethics?
- A. It has advanced from a core performance-assessment issue to an abstract debate.
  - B. It does not require the senior executives of a company to be accountable to stakeholders.
  - C. It no longer deals with performance measurement, but with cosmetic public relations.
  - D. It has moved from the domain of legal departments into the organizational mainstream.
65. Over the last five decades, codes of ethics have matured from cosmetic public relations documents into \_\_\_\_ documents.
- A. profit-oriented
  - B. financial-assessment
  - C. performance-measurement
  - D. expenditure-maximization

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

- A. have matured from performance-measurement documents to cosmetic public relations documents.
- B. have been adopted by fewer corporations because employees and managers no longer need guidance.
- C. have been adopted by an increasing number of organizations who share them with all their stakeholders.
- D. have relieved chief executive officers from the control mechanisms used by the board of directors.

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

- A. Comstock Act
- B. Federal Corrupt Practices Act
- C. Sarbanes-Oxley Act
- D. National Banking Act

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

- A. Status Paradox
- B. Freedman's Paradox
- C. Ansoff's Matrix
- D. Ethical Dilemma

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

- A. ends-based
- B. rules-based
- C. Golden Rule
- D. Volcker's Rule

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

- A. rules-based
- B. ends-based
- C. Golden Rule
- D. Volcker's Rule

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

- A. Golden Rule
- B. formative perspective
- C. oscillatory approach
- D. Egocentric Rule



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

- A. They predict the behavior of other people involved in the situation.
- B. They don't offer a perfect solution or resolution for every situation.
- C. They need to be applied simultaneously in order to be effective.
- D. They can only be applied to situations involving personal issues.

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

- A. disciplining repeat offenders in private.
- B. conducting regular audits and random spot checks.
- C. not adopting a formal code of ethics.
- D. giving their CEOs more power than their boards of directors.

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

- A. Managers should take punitive action in private.
- B. Managers should punish the individual publicly.
- C. Managers should ideally ignore first-time offenders.
- D. Managers should reprimand the individual discretely.

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

- A. By disciplining unethical behavior in private
- B. By creating and maintaining a corporate culture of trust
- C. By giving their CEOs more power than their boards of directors
- D. By not conducting audits and spot checks

### Fill in the Blank Questions

76. \_\_\_\_ is the application of ethical standards to business behavior.

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

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

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

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

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

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

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83. \_\_\_\_ is the system that directs and controls business corporations.

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

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

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

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

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

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

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

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

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## Essay Questions

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

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

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

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

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

## Chapter 02 Defining Business Ethics Answer Key

### True / False Questions

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

(p. 24)

**TRUE**

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-01 Define the term business ethics.*

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

(p. 24)

**FALSE**

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

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-01 Define the term business ethics.*



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

**FALSE**

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

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-01 Define the term business ethics.*

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

**TRUE**

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-01 Define the term business ethics.*

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

**TRUE**

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-02 Identify an organization's stakeholders.*

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

**TRUE**

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-02 Identify an organization's stakeholders.*

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

*(p. 24)*

**TRUE**

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-02 Identify an organization's stakeholders.*

8. The interests of wholesalers in an organization include accurate deliveries of quality products

*(p. 24)* on time and at a reasonable cost.

**TRUE**

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-02 Identify an organization's stakeholders.*

9. The interests of creditors in an organization focus specifically on the employment of local

*(p. 24)* residents and the safety of the work environment.

**FALSE**

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

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-02 Identify an organization's stakeholders.*

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

(p. 24-

25)

FALSE

Unethical corporate behavior impacts different stakeholders in different ways.

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-02 Identify an organization's stakeholders.*

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

(p. 25)

TRUE

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-02 Identify an organization's stakeholders.*

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

(p. 25)

TRUE

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

(p. 25)

TRUE

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

**FALSE**

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

*Blooms: Understand*

*Difficulty: 2 Medium*

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

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

**FALSE**

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

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

**TRUE**

*Blooms: Understand*

*Difficulty: 2 Medium*

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

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

TRUE

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

TRUE

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

TRUE

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

TRUE

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

**TRUE**

*Blooms: Understand*

*Difficulty: 2 Medium*

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

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

**TRUE**

*Blooms: Understand*

*Difficulty: 2 Medium*

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

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

**FALSE**

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

*Blooms: Understand*

*Difficulty: 2 Medium*

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

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

(p. 27)

**FALSE**

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

*Blooms: Understand*

*Difficulty: 2 Medium*

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

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

(p. 27) and employees.

**FALSE**

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

*Blooms: Understand*

*Difficulty: 2 Medium*

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

26. The issue of corporate social responsibility has advanced from an abstract debate to a core

(p. 28) performance-assessment issue with clearly established legal liabilities.

**TRUE**

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-04 Summarize the history of business ethics.*

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

**FALSE**

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

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-04 Summarize the history of business ethics.*

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

**FALSE**

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

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-04 Summarize the history of business ethics.*

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

**TRUE**

*Blooms: Remember*



*Difficulty: 1 Easy*

*Learning Objective: 02-04 Summarize the history of business ethics.*

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

*(p. 29)*

**FALSE**

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

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

*(p. 29)*

**FALSE**

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

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

*(p. 30)* rather a right or right answer.

**TRUE**

*Blooms: Remember*

*Difficulty: 1 Easy*

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

33. Once the type of ethical conflict has been determined, there are two principles by which it can be resolved: Volcker's Rule and Campbell's Rule.  
(p. 37)

**FALSE**

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

*Blooms: Remember*

*Difficulty: 1 Easy*

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

34. Utilizing the ends-based principle to resolve an ethical dilemma necessitates focusing solely on the decisions that other people in your situation would arrive at.  
(p. 37)

**FALSE**

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

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

**FALSE**

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

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

**FALSE**

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

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

**FALSE**

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

*Blooms: Understand*

*Difficulty: 2 Medium*

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

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

*(p. 32)*

**FALSE**

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

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-06 Explain how executives and employees seek to justify unethical behavior.*

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

*(p. 32)*

**FALSE**

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

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-06 Explain how executives and employees seek to justify unethical behavior.*

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

*(p. 32)*

**TRUE**

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-06 Explain how executives and employees seek to justify unethical behavior.*

## Multiple Choice Questions

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

(p. 24)

- A. Business structuralism
- B. Business contingency
- C. Business ethics
- D. Business sourcing

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-01 Define the term business ethics.*

42. Business ethics:

(p. 24)

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

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-01 Define the term business ethics.*

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

- A. descriptive
- B. normative
- C. preventative
- D. prescriptive

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-01 Define the term business ethics.*

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

- A. descriptive
- B. prohibitive
- C. normative
- D. preventative

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-01 Define the term business ethics.*

45. Which of the following perspectives of business ethics is a simple documentation of what is  
(p. 24) happening?

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

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-01 Define the term business ethics.*

46. Which of the following perspectives of business ethics is involved in recommending what  
(p. 24) should be happening?

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

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-01 Define the term business ethics.*

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

(p. 24)

- A. The descriptive dimension of business ethics evaluates the degree to which the observed customs, attitudes, and rules of a business are ethical.
- B. Business ethics should ideally not reflect the ethical concepts of the society within which an organization functions.
- C. The normative dimension of business ethics is a summation of the customs, attitudes, and rules that are observed within a business.
- D. Business ethics should not be applied as a separate set of moral standards or ethical concepts from general ethics.

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-01 Define the term business ethics.*

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

(p. 24)

- A. stakeholder
- B. moderator
- C. mediator
- D. crossholder

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-02 Identify an organization's stakeholders.*



49. Which of the following is true of stakeholders?

(p. 24)

- A. Not every stakeholder is relevant in every business situation.
- B. The stakeholders of an organization are not affected by its unethical behavior.
- C. The cancellation of an organization's dividends has no impact upon stakeholders.
- D. Creditors are not considered the stakeholders of an organization.

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-02 Identify an organization's stakeholders.*

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

(p. 24)

- A. The different stakeholders of GeoTransmit will be affected in different ways.
- B. Geotransmit's decision to hide its losses from investors will not impact the economy.
- C. None of GeoTransmit's stakeholders will be affected adversely by its decision.
- D. GeoTransmit's decision to hide its losses from investors cannot be considered unethical.

*Blooms: Apply*

*Difficulty: 2 Medium*

*Learning Objective: 02-02 Identify an organization's stakeholders.*

51. \_\_\_\_ is the system that directs and controls business organizations.

(p. 25)

- A. Business structuralism
- B. Organizational resonance
- C. Retail optimization
- D. Corporate governance

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

(p. 25)

- A. It plays no role in enforcing ethical behavior in the workplace.
- B. It is the process by which the government nationalizes corporations.
- C. It is the system by which business corporations are directed and controlled.
- D. It is the entity responsible for the execution of a company's CSR policy.

*Blooms: Understand*

*Difficulty: 2 Medium*

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

53. The standard of corporate governance:

(p. 25)

- A. allows select corporations to monitor the ethical conduct of government officials.
- B. plays no role in regulating the ethical behavior of senior executives in an organization.
- C. ensures that officers of an organization fulfill their obligations to their stakeholders.
- D. plays no role in regulating the ethical behavior of employees in an organization.

*Blooms: Understand*

*Difficulty: 2 Medium*

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

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

*(p. 25)*

- A. It is a set of guidelines that has been universally adopted by all business organizations.
- B. It does not ensure that an organization's officers fulfill their obligations to stakeholders.
- C. It focuses on establishing a leadership pipeline for an organization.
- D. It appears to be at its lowest level in recent business history.

*Blooms: Understand*

*Difficulty: 2 Medium*

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

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

*(p. 26)*

- A. small, new businesses tend to be less honest than large, established businesses.
- B. the recent spate of financial scandals portrays organizations as fundamentally unethical.
- C. the standard of corporate governance has been at its highest level in the last decade.
- D. local businesses tend to have fewer accounting scandals than international businesses.

*Blooms: Understand*

*Difficulty: 2 Medium*

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

56. The code of ethics is intended to:

(p. 26)

- A. prevent managers and employees from making everyday decisions unsupervised.
- B. guide managers and employees in making sound decisions and choices every day.**
- C. liberate the chief executive officer from any constraints placed by the board of directors.
- D. decrease the independence of the board of directors and reduce the power of shareholders.

*Blooms: Understand*

*Difficulty: 2 Medium*

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

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

(p. 26)

- A. business matrix
- B. code of ethics**
- C. internal channel
- D. external channel

*Blooms: Understand*

*Difficulty: 2 Medium*

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

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

(p. 26)

- A. It clarifies an organization's cornerstones to its employees, managers, and stakeholders.**
- B. It allows the board members of an organization to be accountable only to themselves.
- C. It allows chief executive officers unrestrained power in the decision-making process.
- D. It works with the standards of corporate governance to limit employees' independence.

*Blooms: Understand*

*Difficulty: 2 Medium*

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

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

*(p. 27)*

- A. Fewer small businesses adopt a formal code of ethics now than they did in the past.
- B.** The codes are structured to empower employees to make effective decisions confidently.
- C. The codes prescribe appropriate courses of action for every business situation in detail.
- D. Fewer international organizations adopt a formal code of ethics now than in the past.

*Blooms: Understand*

*Difficulty: 2 Medium*

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

60. As an internal document, the code of ethics should represent a clear guide to \_\_\_\_ in making

*(p. 27)* the decisions and choices they face every day.

- A.** managers and employees
- B. competitors and consumers
- C. stockholders and shareholders
- D. retailers and wholesalers

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

(p. 28)

- A. performance-assessment
- B. profit-oriented
- C. internal-relations
- D. profit-minimization

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-04 Summarize the history of business ethics.*

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

(p. 28)

- A. The code of ethics has moved from performance-measurement documents to cosmetic public relations documents.
- B. Senior executives of a company are no longer required to be accountable to the board of directors and their stakeholders.
- C. Corporate ethics has moved from the organizational mainstream into the domain of legal and human resource departments.
- D. Corporate social responsibility has advanced from an abstract debate to a core performance-assessment issue.

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-04 Summarize the history of business ethics.*

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

- A. legal department
- B. finance and accounting department
- C. talent management portfolio
- D. organizational mainstream

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-04 Summarize the history of business ethics.*

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

(p. 28)

- A. It has advanced from a core performance-assessment issue to an abstract debate.
- B. It does not require the senior executives of a company to be accountable to stakeholders.
- C. It no longer deals with performance measurement, but with cosmetic public relations.
- D. It has moved from the domain of legal departments into the organizational mainstream.

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-04 Summarize the history of business ethics.*

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

- A. profit-oriented
- B. financial-assessment
- C. performance-measurement
- D. expenditure-maximization

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-04 Summarize the history of business ethics.*

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

- A. have matured from performance-measurement documents to cosmetic public relations documents.
- B. have been adopted by fewer corporations because employees and managers no longer need guidance.
- C. have been adopted by an increasing number of organizations who share them with all their stakeholders.
- D. have relieved chief executive officers from the control mechanisms used by the board of directors.

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-04 Summarize the history of business ethics.*



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

- A. Comstock Act
- B. Federal Corrupt Practices Act
- C. Sarbanes-Oxley Act
- D. National Banking Act

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-04 Summarize the history of business ethics.*

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

- A. Status Paradox
- B. Freedman's Paradox
- C. Ansoff's Matrix
- D. Ethical Dilemma

*Blooms: Remember*

*Difficulty: 1 Easy*

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

69. The \_\_\_\_ principle for resolving an ethical dilemma considers which decision would provide the greatest good for the greatest number of people.  
(p. 37)

- A. ends-based
- B. rules-based
- C. Golden Rule
- D. Volcker's Rule

*Blooms: Remember*

*Difficulty: 1 Easy*

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

70. The \_\_\_\_ principle for resolving an ethical dilemma considers what would happen if everyone made the same decision as you.  
(p. 37)

- A. rules-based
- B. ends-based
- C. Golden Rule
- D. Volcker's Rule

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

- A. Golden Rule
- B. formative perspective
- C. oscillatory approach
- D. Egocentric Rule

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

- A. They predict the behavior of other people involved in the situation.
- B. They don't offer a perfect solution or resolution for every situation.
- C. They need to be applied simultaneously in order to be effective.
- D. They can only be applied to situations involving personal issues.

*Blooms: Understand*

*Difficulty: 2 Medium*

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

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

- A. disciplining repeat offenders in private.
- B. conducting regular audits and random spot checks.
- C. not adopting a formal code of ethics.
- D. giving their CEOs more power than their boards of directors.

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-06 Explain how executives and employees seek to justify unethical behavior.*

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

- A. Managers should take punitive action in private.
- B. Managers should punish the individual publicly.
- C. Managers should ideally ignore first-time offenders.
- D. Managers should reprimand the individual discretely.

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-06 Explain how executives and employees seek to justify unethical behavior.*

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

- A. By disciplining unethical behavior in private
- B. By creating and maintaining a corporate culture of trust
- C. By giving their CEOs more power than their boards of directors
- D. By not conducting audits and spot checks

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-06 Explain how executives and employees seek to justify unethical behavior.*

## Fill in the Blank Questions

76. \_\_\_\_ is the application of ethical standards to business behavior.

(p. 24)

**Business ethics**

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-01 Define the term business ethics.*

77. Business ethics can be approached from two different perspectives. The \_\_\_\_ perspective is a

(p. 24) summation of the customs, attitudes, and rules that are observed within a business.

**descriptive**

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-01 Define the term business ethics.*

78. Business ethics can be approached from two different perspectives. The \_\_\_\_ perspective

(p. 24) simply documents what is happening.

**descriptive**

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-01 Define the term business ethics.*

79. Business ethics can be approached from two different perspectives. The \_\_\_\_ perspective is the

(p. 24) evaluation of the degree to which the observed customs, attitudes, and rules can be said to be ethical.

**normative (or prescriptive)**

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-01 Define the term business ethics.*

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

normative (or prescriptive)

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-01 Define the term business ethics.*

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

stakeholders

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-02 Identify an organization's stakeholders.*

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

corporate governance

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

Corporate governance

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

Ethics Resource Centre

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

code of ethics

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

code of ethics

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

code of ethics

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

performance-assessment

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-04 Summarize the history of business ethics.*

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

organizational mainstream

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-04 Summarize the history of business ethics.*

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

performance-measurement

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-04 Summarize the history of business ethics.*



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

### Sarbanes-Oxley Act

*Blooms: Remember*

*Difficulty: 1 Easy*

*Learning Objective: 02-04 Summarize the history of business ethics.*

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

### ethical dilemma

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

### ends-based

*Blooms: Remember*

*Difficulty: 1 Easy*

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

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

### rules-based

*Blooms: Remember*

*Difficulty: 1 Easy*

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

95. Companies that rely on the deterrents of \_\_\_\_\_ and spot checks make headway in discouraging unethical behavior.  
(p. 32-33)

audits

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-06 Explain how executives and employees seek to justify unethical behavior.*

## Essay Questions

96. What are the perspectives from which business ethics can be approached?  
(p. 24)

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

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

*Blooms: Remember*

*Difficulty: 2 Medium*

*Learning Objective: 02-01 Define the term business ethics.*

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

(p. 27)

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

*Blooms: Understand*

*Difficulty: 2 Medium*

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

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

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

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

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-04 Summarize the history of business ethics.*

99. What are the three principles available to resolve an ethical dilemma? Are they always  
(p. 37) successful?

The three resolution principles available are:

- i) Ends-based: This principle considers the decision which would provide the greatest good for the greatest number of people.
- ii) Rules-based: This principle considers what would happen if everyone made the same decision as you.
- iii) The Golden Rule: This considers doing unto others as you would have them do unto you.

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

*Blooms: Understand*

*Difficulty: 2 Medium*

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

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

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

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

*Blooms: Understand*

*Difficulty: 2 Medium*

*Learning Objective: 02-06 Explain how executives and employees seek to justify unethical behavior.*