

# STUDY GUIDE SOLUTIONS

## Chapter 2

### Business Ethics and Social Responsibility

#### Application of Vocabulary

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1. **Social Audit** is the term used to describe a firm's formal examination of its social responsibility programs.
2. The **Equal Employment Opportunity Commission (EEOC)** is the federal commission created to aid in the elimination of job discrimination while increasing job opportunities for women and minorities.
3. A **code of conduct** is a formal statement that defines how the organization expects and requires employees to resolve ethical questions.
4. Employers with 50 or more employees must provide **family leave**, an unpaid leave of up to 12 weeks to deal with new births, adoptions, or illness of workers or their relatives.
5. **Consumerism** is the demand that business give proper consideration to consumer wants and needs when making decisions, and is based on the belief that consumers have certain rights.
6. **Recycling** is reprocessing of reusable materials.
7. Employees should be careful to avoid the appearance of any **conflict of interest** that is, any situation where a business decision benefiting one person has the potential to harm another person.
8. Many argue that social responsibility to the general public means businesses should give back to the communities in which they earn profits through **corporate philanthropy**.
9. The responsibility that manufacturers face for injuries or damages caused by their products is called **product liability**.
10. Environmental issues such as renewable sources of clean energy and developing **sustainable** agriculture are major environmental concerns for firms wishing to protect the environment.

11. **Whistle blowing** has occurred when an employee discloses to the media or government authorities any suspected illegal, immoral, or unethical practices of the organization.
12. **Integrity** is demonstrated by people who adhere to deeply felt ethical principles in business situations.
13. Congress enacted the **Sarbanes-Oxley Act** to further protect investors from unethical accounting practices. Among other things, this law requires a special oversight board to regulate public accounting firms that audit the financial records of corporations.
14. **Sexual harassment** can include unwelcomed sexual advances, requests for sexual favors as a condition of employment or promotion, and/or the creation of what feels like a “hostile” work environment due to unwelcomed flirting, lewd comments, or obscene jokes.
15. **Sexism** is a type of discrimination in which people are treated differently in the workplace due to their gender.
16. **Business ethics** deals with standards of conduct and moral values that arise in any work environment.
17. The biased treatment of a job candidate or employee in the workplace is known as **discrimination**.
18. In addition to making a profit, there are obligations businesses have to the wider society, known as **social responsibility**.
19. Companies who work to promote environmentally safe products and production methods are engaged in **green marketing**.
20. Customers, employees, and investors are example of **stakeholders**.

## **Analysis of Learning Objectives**

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### **Learning Objective 2.1: Explain the concern for ethical and societal issues.**

#### ***True or False***

1.   T   Social responsibility refers to management’s consideration of the societal as well as the economic effects of its decisions.
2.   F   Deciding what is right or wrong in business is generally a clear-cut choice.

3. F Social responsibility and ethical conduct generally cost more than they create in business value.
4. T Codes of conduct and ethical standards are playing an increasingly important role in the operation of today's firms.
5. T Employees, customers, government, and the general public all have a stake in the performance of today's organizations.

**Learning Objective 2.2: Describe the contemporary ethical environment.**

***Multiple Choice***

1. Individual ethics in the workplace are influenced by:
  - a. ethical training.
  - b. all of these answer choices are correct.**
  - c. behaviors of managers.
  - d. the organization's culture.
2. A firm's ability to behave ethically depends on:
  - a. the ethical values of the firm's executives.
  - b. the ethical values of the firm's employees.
  - c. a climate within the organization that promotes ethical conduct.
  - d. all of these answers are correct.**
3. Unrealistic goals set by managers:
  - a. can promote unethical behavior.**
  - b. is common among U.S. firms.
  - c. makes the firm more competitive.
  - d. all of these answers are correct.
4. Managers who behave unethically:
  - a. might possibly have an indirect influence on employees to behave similarly.**
  - b. are commonly reported by employees.
  - c. enforce the code of conduct.
  - d. are more likely to be promoted.

**Learning Objective 2.3: Discuss how organizations shape ethical conduct.**

***Fill-in***

1. In the **preconventional** stage of ethical development, individuals primarily consider their own needs, desires, and personal consequences in making ethical decisions.

2. An individual who can move beyond self-interest and duty, who considers the needs of the wider society, and who can employ ethical principles in a variety of situations, has attained the **postconventional** stage of ethical development.
3. Those who are aware of and respond to their duty to others have achieved the **conventional** stage of ethical development.

***True or False***

4.   T   Top management plays a critical role in developing an organizational culture that encourages ethical behavior.
5.   F   Most companies today don't have a code of conduct.
6.   F   A company's code of conduct is informal, but employees are still expected to adhere to them.
7.   T   A firm whose managers set unrealistic goals for employees might possibly be inviting unethical behavior.

**Learning Objective 2.4: Describe how businesses can act responsibly to satisfy society.**

***True or False***

1.   T   Social audits are formal procedures that identify and evaluate all company activities that relate to social issues
2.   F   Quantitative economic measures such as employment levels, sales, and profits are irrelevant in evaluating a firm's social performance.
3.   T   Conducting a social audit can help a firm measure its progress in meeting social responsibility objectives.
4.   T   AT&T's commitment to hiring military veterans is an example of the company's concern for equal opportunity employment.
5.   T   The American with Disabilities Act makes discrimination against the disabled in public accommodations, transportation, and telecommunications illegal.
6.   T   American firms have found a significant competitive advantage in developing a culturally diverse and highly skilled workforce.
7.   T   To avoid sexual harassment problems, many firms have established policies and employee education programs aimed at preventing such violations.

8. ☐ F As a way to practice corporate philanthropy, organizations often require their employees to volunteer during off hours.
9. ☐ T The EEOC was created to increase job opportunities for women and minorities and to help end discrimination based on race, color, religion, disability, gender, or national origin.
10. ☐ T Employers with 50 or more employees must provide unpaid leave annually for any employee who wants time off for the birth or adoption of a child; to become a foster parent; or to care for a seriously ill relative, spouse, or self if he or she has a serious health condition or injury.
11. ☐ F Sexism, or discrimination based solely on a person's gender, has been completely eliminated in today's global business environment.
12. ☐ T Businesses have both a legal and an ethical requirement to eliminate sexual harassment in the workplace.
13. ☐ F Corporate philanthropy encompasses all efforts corporations take in order to give back to the communities in which they conduct business.

**Learning Objective 2.5: Explain the ethical responsibilities of businesses to investors and the financial community.**

***True or False***

1. ☐ F Because investors are willing to take risks, there are no ethical requirements for managers to protect investor interests.
2. ☐ T Investors have legal recourse when they believe that management has not dealt honestly with them.
3. ☐ F The Office of Internet Enforcement protects the rights of businesses to promote their products online in any manner they choose.
4. ☐ T The Securities and Exchange Commission is the federal agency responsible for investigating alleged unethical or illegal financial behavior of publicly traded firms.

## Self Review

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### *True or False*

1. ☐ T ☐ F Businesses are responsible for providing information to their consumers regarding any potentially dangerous products.
2. ☐ T ☐ F Social audits measure a firm's performance relating to such issues as employment practices, environmental responsibility, and philanthropy.
3. ☐ F ☐ T While managers may conduct internal audits on social responsibility, public opinion rarely has any real impact on business practices.
4. ☐ T ☐ F Numerous state and federal laws related to consumerism have been established since President John F. Kennedy addressed the concept in 1962.
5. ☐ T ☐ F Cigarettes and alcoholic beverages are examples of potentially harmful products about which corporations should inform their consumers.
6. ☐ T ☐ F Green marketing targets consumers who care whether or not businesses demonstrate environmental responsibility.
7. ☐ T ☐ F Business ethics deal with the right and wrong actions that arise in any business environment.
8. ☐ T ☐ F A firm must be able to prove that any claim made about the quality or superiority of a good or service has been substantiated.
9. ☐ F ☐ T Under the Sarbanes-Oxley Act, all corporations are required to have a printed code of ethics.
10. ☐ T ☐ F It makes good sense to have all employees aware of the firm's stance on social and ethical issues.
11. ☐ T ☐ F Education plays an important role in earnings, despite success stories of those who dropped out of college or high school to start businesses.
12. ☐ T ☐ F Employers are legally responsible for protecting their employees from the sexual harassment of clients and customers.
13. ☐ F ☐ T Today, there appears to be no significant differences between the average pay of men and women.

14. F Programs that increase social responsibility and ethical practices in a firm may be good for public relations, but they generally cost more than they create in economic benefits.
15. T A new shift in the workforce shows that there will soon be more younger people working than those from the baby boomer generation.

### ***Multiple Choice***

1. In order to promote ethical behavior in an organization:
  - a. ethical guidelines should be clearly stated and communicated to employees.
  - b. all of these answer choices are correct.**
  - c. the organization may design training programs to help employees develop ethical reasoning skills.
  - d. the organization's structure and business practices should reflect and reinforce ethical values.
  - e. managers must show a personal commitment to ethical values and a willingness to enforce them.
2. The agency charged with ensuring the accuracy of financial statements provided by publicly traded companies is the:
 

a. EPA.	c. FTC.
b. EEOC.	<b>d. SEC.</b>
3. In a social audit:
  - a. a firm attempts to measure its own performance related to social responsibility.**
  - b. outside auditors are called in to evaluate business practices.
  - c. the FTC audits the ethical practices of a firm.
  - d. the government estimates the social costs of individual business actions.
4. Business responsibilities to the general public include:
  - a. dealing with public health issues.
  - b. protecting the environment.
  - c. developing a quality workforce.
  - d. all of these answer choices are correct.**
5. The Family and Medical Leave Act of 1993:
  - a. requires firms with 50 or more employees to provide up to 12 weeks of unpaid leave for workers who need to attend to family matters.**
  - b. requires firms with 50 or more employees to provide up to 12 weeks of paid leave for workers who need to attend to family matters.
  - c. affects firms with more than 100 employees.
  - d. does not include a guarantee that employees will be returned to an equivalent job when they come back to work.

6. Discrimination based on gender:
  - a. is known as sexual harassment.
  - b. is known as sexism.**
  - c. is to be expected in a culturally diverse workforce.
  - d. was outlawed by the Sarbanes-Oxley Act.
  
7. The federal agency charged with ensuring universal access to jobs and ending discrimination in the workplace is the:
 

a. EPA.	c. <b>EEOC.</b>
b. FTC.	d. SEC.
  
8. In the U.S. economy, the social responsibility of a firm is evaluated:
  - a. by consumers who may patronize or avoid a firm based on its behavior.
  - b. all of these are methods for evaluating social responsibility.**
  - c. by the firm itself doing a social audit.
  - d. by outside groups who create and monitor standards of corporate performance.
  - e. on the basis of the firm's contribution to economic growth and employment opportunities.
  
9. After graduating from trade school, Ann accepted a position as a mechanic in a shop where she is the only woman. After a few months she complained to her supervisor about lewd jokes and sexually explicit posters in the workplace. Her supervisor should:
  - a. tell Ann to relax and try to be one of the boys.
  - b. listen to Ann and help her adjust to the environment.
  - c. realize that these occurrences can be construed as sexual harassment and need to be addressed.**
  - d. realize that women have no place in a work environment that was previously all male.
  
10. In the highest level ethical and moral behavior, the individual is able to move beyond mere self-interest and duty and take the larger needs of society into account as well. This stage of ethical development is the:
 

a. preconventional stage.	c. metaethical stage.
b. conventional stage.	<b>d. postconventional stage.</b>

### **Application Exercises**

The following situations deal with ethical issues in business. Write a short explanation of why you think the participants did or did not act in a socially responsible or ethical manner.

1. Maria is a lawyer and recently hired Brian, a paralegal. She tells Brian that she finds him attractive, and promises to assign him to a high profile case if he agrees to have dinner with her.



*Under the Civil Rights Act (1964), Maria is acting unlawfully. The act of telling Brian that he is attractive, and “bribing” him with a better work assignment is a form of sexual harassment. Asking for personal time (dinner), may create a hostile work environment for Brian, which is considered a form of sexual harassment. It is unlawful for Maria to harass Brian because of his sex. Harassment can include “sexual harassment” or unwelcome sexual advances, requests for sexual favors, and other verbal or physical harassment of a sexual nature.*

2. An administrative assistant who is in a wheelchair is denied a job because the employer has no restroom that can accommodate a wheelchair.

*Under the Americans with Disabilities Act (1991) prohibits discrimination against people with disabilities in employment, transportation, public accommodation, communications, and governmental activities. This employer is obligated to make the appropriate accommodations so that the qualified candidate can work despite her disability.*

3. Jill is an executive administrator and John is interviewing for the position of assistant administrator. Jill informs John that although she is impressed with his resume and communication skills, she cannot offer him the job because of his commitments with the National Guard, which might put him in a position where he would have to leave for overseas for long periods of time.

*Under the Uniformed Services Employment and Reemployment Rights Act (1994), Jill is acting unethically in her decision to deny John a position for the sole reason of his participation in the National Guards. John has the right to not only obtain employment for which he is qualified, but also expect that his position will be available once he returns from any service duties.*

4. Patty is the owner of her own small business. She is a smoker, and has always felt free to smoke in her own office. She hires a worker who objects to cigarette smoke in the work environment. The Environmental Protection Agency has identified second-hand smoke as a public health risk.

*Patty may have to start smoking outside, even though this is her business. As the employer, if she exposes employees to second-hand smoke she may later be held liable for any smoke-related illness an employee develops. There are workplace smoking laws by state, and the labor or employment department within the state should have up-to-date information about such laws. Smoke-sensitive workers may also ask for an accommodation, which may include installing additional ventilation systems, restricting smoking to outside areas or special rooms, and segregating smokers and nonsmokers.*

5. In a small business environment, ethical issues can result from hiring, firing, and dealing with employees. Conflicts of interest can arise which cause ethical issues and dilemmas, particularly in family may run businesses. Discuss the ways personal family issues can

interfere with business decisions and the ethical issues and conflicts of interest that can result.

*Personal family issues, including, but not limited to personality conflicts, power struggles, money issues, and years of history, can interfere with business decisions, which can impact employees who are non-family members.*

### **Short Essay Questions**

1. What are the components of a company's approach to social responsibility and ethics?

*Engaging in corporate philanthropy, anticipating and managing risks, and identifying opportunities to create value by doing the right thing. Business managers have a whole range of responsibilities. They include:*

- a. Responsibilities to employees. Such issues as equal opportunity, fair pay, a safe work environment, attention to the diversity of the work force, and prevention of sexual harassment and sexism.*
- b. Protection of the environment. Business managers today need to be concerned with minimizing pollution, recycling, promoting sustainable environmental practices, conservation of scarce resources, and proper disposal of toxic waste.*
- c. Responsibilities to consumers. Business managers have an obligation to make certain that products are safe, and that they have been truthful in advertising and labeling. They also need to insure that consumers are informed and heard.*
- d. Responsibilities to the general public. In addition to environmental protection, today's business manager should be aware of public health issues and other needs of society that business may be in a unique position to meet. This includes practicing corporate philanthropy and social responsibility.*

2. Describe the role of the Equal Employment Opportunity Commission (EEOC).

*The Equal Employment Opportunity Commission (EEOC) was created to increase job opportunities for women and minorities and to help end discrimination based on race, color, religion, disability, gender, or national origin in any personnel action. To enforce fair-employment laws, it investigates charges of discrimination and harassment and files suit against violators. The EEOC can also help employers set up programs to increase job opportunities for women, minorities, people with disabilities, and people in other protected categories. While in the past the EEOC has focused on this type of individual situation, currently it is addressing what it terms "systemic discrimination," which it defines as "a pattern or practice, policy and/or class cases where the alleged discrimination has a broad impact on an industry, profession, company, or geographic location." A systemic discrimination charge usually becomes a class-action suit, which costs considerably more to defend than an individual lawsuit.*