CHAPTER 1: AN OVERVIEW OF ETHICS

1. An organization's mission statement highlights its key ethical issues and identifies the overarching values and principles that are important to the organization and its decision making.
   a. True
   b. False

   ANSWER: False

2. Line operations personnel can be appointed as corporate ethics officers.
   a. True
   b. False

   ANSWER: True

3. In a nonprofit organization, the board of directors reports to the local community that it serves.
   a. True
   b. False

   ANSWER: True

4. Consistency means that shareholders, customers, suppliers, and the community know what they can expect of an organization—that it will behave in the future much as it has in the past.
   a. True
   b. False

   ANSWER: True

5. The greater reliance of information systems in all aspects of life has decreased the risk that information technology will be used unethically.
   a. True
   b. False

   ANSWER: False

6. Increasingly, managers are including ethical conduct as part of an employee's performance appraisal.
   a. True
   b. False

   ANSWER: True

7. Employees may suppress their tendency to act in a manner that seems ethical to them and instead act in a manner that will protect them against anticipated punishment.
   a. True
   b. False

   ANSWER: True

8. The term morality refers to social conventions about right and wrong that are so widely shared that they become the basis for an established consensus.
   a. True
   b. False

   ANSWER: True

9. Laws can proclaim an act as legal, although many people may consider the act immoral.
   a. True
   b. False

   ANSWER: True

10. Fairness and generosity are examples of virtues.
    a. True
    b. False

    ANSWER: True

11. Lawrence Kohlberg found that the most crucial factor that stimulates a person's moral development is monetary reward for good behavior.
    a. True
    b. False

    ANSWER: False

12. Multinational and global organizations must not present a consistent face to their shareholders, customers, and suppliers but instead must operate with a different value system in each country they do business in.
    a. True
    b. False

    ANSWER: False

13. Legal acts conform to what an individual believes to be the right thing to do.
    a. True
    b. False

    ANSWER: False

14. Ethics has risen to the top of the business agenda because risks associated with inappropriate behavior have increased, both in their likelihood and in their potential negative impact.
    a. True
    b. False

    ANSWER: True

15. Setting corporate social responsibility (CSR) goals encourages an organization to achieve higher moral and ethical standards.
    a. True
    b. False

    ANSWER: True

16. The fairness approach to ethical decision making states that one should choose the action or policy that has the best overall consequences for all people who are directly or indirectly affected.
    a. True
    b. False

    ANSWER: False

17. The board of directors of an organization is normally responsible for day-to-day management and operations of the organization.
    a. True
    b. False

    ANSWER: False

18. An individual's manager has very little impact on his or her ethical behavior.
    a. True
    b. False

    ANSWER: False

19. In the business world, important decisions are too often left to the technical experts; general business managers must assume greater responsibility for these decisions.
    a. True
    b. False

    ANSWER: True

20. The goal of the Sarbanes-Oxley Act was to renew investor's trust in corporate executives and their firm's financial reports following numerous financial scandals in the early 2000s.
    a. True
    b. False

    ANSWER: True

21. Individual views on what is moral are so strongly held that there is nearly universal agreement in spite of differences in age, cultural group, ethnic background, religion, life experience, education, and gender.
    a. True
    b. False

    ANSWER: False

22. Most people have developed a decision-making process they use almost automatically, without thinking about the steps they go through.
    a. True
    b. False

    ANSWER: True

23. The countries with the highest software piracy rate in the world include Luxembourg, Japan, and New Zealand.
    a. True
    b. False

    ANSWER: False

24. Stakeholders who stand to lose or gain from a situation should be kept out of the decision making process as they will simply introduce their personal biases.
    a. True
    b. False

    ANSWER: False

25. The term ethics describes standards or codes of behavior expected of an individual by a group to which the individual belongs.
    a. True
    b. False

    ANSWER: True

26. If the desired results are not achieved upon implementation of a solution, one should return to the "identify alternatives" step of the decision making process and rework the decision.
    a. True
    b. False

    ANSWER: False

27. Greater globalization has decreased the likelihood of unethical behavior.
    a. True
    b. False

    ANSWER: False

28. The general public needs to develop a better understanding of the critical importance of ethics as they apply to IT; currently, too much emphasis has been placed on technical issues.
    a. True
    b. False

    ANSWER: True

29. Supply chain sustainability takes into account such issues as fair labor practices, energy and resource conservation, human rights, and community responsibility.
   a. True
   b. False

   ANSWER: True

30. The virtues ethics approach to decision making focuses on how one should behave and think about relationships if he or she is concerned with his or her daily life in the community.
   a. True
   b. False

   ANSWER: True

31. _____is the concept that an organization should act ethically by taking accountability for the impact of its actions on the environment, the community, and the welfare of its employees.
   a. Corporate social responsibility   b. Corporate governance
   c. Corporate social entrepreneurship   d. Corporate sustainability

   ANSWER: a

32. Which of the following steps in the decision-making process gathers and analyzes facts and also identifies stakeholders affected by the decision?
   a. Develop problem statement   b. Evaluate result
   c. Identify alternatives   d. Implement decision

   ANSWER: a

33. A set of beliefs about right and wrong behavior within a society is called_____.
   a. ethics   b. moral code
   c. law   d. vices and virtues

   ANSWER: a

34. Which of the following statements best describes a reason why organizations pursue corporate social responsibility (CSR) goals and promote a work environment in which employees are encouraged to act ethically when making business decisions?
   a. To enjoy higher employee turnover rates   b. To define a variable approach for dealing with stakeholders
   c. To gain the goodwill of the community   d. To increase unfavorable publicity

   ANSWER: c

35. A(n)_____is a habit of unacceptable behavior.
   a. moral   b. virtue
   c. ethic   d. vice

   ANSWER: d

36. A complication of the_____approach to decision making is that measuring and comparing the values of certain benefits and costs is often difficult, if not impossible.
    a. fairness   b. virtue ethics
    c. common good   d. utilitarian

    ANSWER: d

37. _____describes standards or codes of behavior expected of an individual by a group (nation, organization, profession) to which an individual belongs.
    a. Ethics   b. Virtues
    c. Laws   d. Morals

    ANSWER: a

38. Every society forms a set of rules that establishes the boundaries of generally accepted behavior. These rules are often expressed in statements about how people should behave, and they fit together to form the_____by which a society lives.
    a. laws   b. ethics
    c. virtues and vices   d. moral code

    ANSWER: d

39. _____had one of the lowest software piracy rates in 2011.
    a. Moldova   b. Bangladesh
    c. Libya   d. New Zealand

    ANSWER: d

40. Companies that develop and maintain strong employee relations:
    a. build indifference to the organization's goals.
    b. erode employee involvement.
    c. enjoy lower turnover rates.
    d. face low employee morale.

    ANSWER: c

41. In the case of *United States v. New York Central & Hudson River Railroad Co.*, the U.S. Supreme Court established that:
    a. executives in an organization with an effective ethics program can receive lesser sentences for unethical actions.
    b. an employer can be held responsible for the acts of its employees even if the employees act in a manner contrary to their employer's directions.
    c. organizations can escape criminal liability if they make strong efforts to prevent and detect misconduct in the workplace.
    d. officers of companies cannot be given light sentences if their ethics program fail to deter criminal activity within their firms.

    ANSWER: b

42. A rapid increase in the appointment of corporate ethics officers typically follows:

    a. the acquisition of one company by another.

    b. the revelation of a major business scandal.

    c. the appointment of a new CEO.

    d. a substantial decrease in the stock price of a firm.

    ANSWER: b

43. Based on a 2009 National Business Ethics Survey, the percentage of employees who said they reported misconduct in the workplace when they saw it_____.

    a. increased from 2007 to 2009   b. decreased from 2007 to 2009

    c. stayed essentially the same   d. increased by more than 10 percentage points from 2007 to 2009

    ANSWER: a

44. The_____that socially responsible activities create can make it easier for corporations to conduct their business.

    a. profits   b. alliances

    c. incentives   d. goodwill

    ANSWER: d

45. The step in the decision-making process during which the decision makers consider laws, guidelines, policies, and principles that might apply to the decision is the_____step.

    a. develop problem statement   b. implement decision

    c. identify alternatives   d. evaluate and choose alternative

    ANSWER: d

46. Which of the following is the most critical step in the decision-making process?

    a. Evaluation of the results

    b. Identification of alternative solutions

    c. Development of a problem statement

    d. Implementation of a decision

    ANSWER: c

47. A discrepancy between employee's own values and an organization's actions:

    a. encourages employee commitment.   b. increases employee involvement.

    c. fosters poor performance.   d. creates high morale.

    ANSWER: c

48. The chairman of_____, an Indian-based outsourcing firm, admitted he had overstated the company's assets by more than $1 billion in India's largest ever corporate scandal.

    a. Tata Consultancy Services   b. Wipro Consultancy Services

    c. Genpact   d. Satyam Computer Services

    ANSWER: d

49. Someone who stands to gain or lose, depending on how a situation is resolved is called a_____.
    a. negotiator   b. figurehead
    c. stakeholder   d. philanthropist

    ANSWER: c

50. In a(n)_____, an organization reviews how well it is meeting its ethical and social responsibility goals, and communicates its new goals for the upcoming year.
    a. ethics review   b. performance appraisal
    c. social audit   d. morals assessment

    ANSWER: c

51. A well-implemented ethics and compliance program and a strong ethical culture can lead to:
    a. more fear of retaliation by management.   b. less comfort for employees reporting misconduct.
    c. more negative views on the organization.   d. less pressure on employees to misbehave.

    ANSWER: d

52. An approach to ethical decision making that is based on a vision of society as a community whose members work together to achieve a general set of values and goals is the_____approach.
    a. common good   b. fairness
    c. virtue ethics   d. utilitarian

    ANSWER: a

53. In a for-profit organization, it is the primary objective of the_____to oversee the organization's business activities and management for the benefit of shareholders, employees, customers, suppliers, and the community.
    a. negotiator   b. board of directors
    c. corporate ethics officer   d. corporate compliance officer

    ANSWER: b

54. A_____provides an organization with vision and leadership in the area of business conduct.
    a. spiritual leader   b. corporate ethics officer
    c. disseminator   d. disturbance handler

    ANSWER: b

55. Section 404 of the Sarbanes-Oxley Act states that:
    a. annual reports must contain a statement signed by the CEO and CFO attesting that the information in all of the firm's SEC filings is accurate.
    b. public companies must disclose their code of ethics as well as any waiver of the code for certain members of senior management.
    c. a code of ethics must be easily accessible by employees, shareholders, business partners, and the public.
    d. the code of ethics must continually be applied to a company's decision making and emphasized as an important part of its culture.

    ANSWER: a

Chapter 1: An Overview of Ethics

56. The_____is responsible for the careful and responsible management of an organization.

    ANSWER: board of directors

57. A person who acts with_____acts in accordance with a personal code of principles.

    ANSWER: integrity

58. In an environment where employees are encouraged to do "whatever it takes" to get the job done, employees may feel pressure to engage in_____conduct to meet management's expectations.

    ANSWER: unethical

59. The_____approach to decision making suggests that when faced with a complex ethical dilemma, people do either what they are most comfortable doing or what they think a person they admire would do.

    ANSWER: virtue ethics

60. The goal of the_____approach to ethical decision making is to find the single greatest good by balancing the interests of all affected parties.

    ANSWER: utilitarian

61. _____are one's personal beliefs about right and wrong.

    ANSWER: Morals

62. A(n)_____is a habit that inclines people to do what is acceptable.

    ANSWER: virtue

63. A(n)_____is a statement that highlights an organization's key ethical issues and identifies the overarching values and principles that are important to the organization and its decision making.

    ANSWER: code of ethics

64. In the decision-making process of implementing the decision, a(n)_____plan must be defined to explain to people how they will move from the old way of doing things to the new way.

    ANSWER: transition

65. An effective_____helps ensure that employees abide by the law, follow necessary regulations, and behave in an ethical manner.

    ANSWER: code of ethics

66. A(n)_____is a clear, concise statement of an issue that needs to be addressed.

    ANSWER: problem statement

67. The_____led to significant reforms in the content and preparation of disclosure documents by public companies.

    ANSWER: Sarbanes-Oxley Act

68. The principle that the ethical choice treats everyone the same and shows no favoritism or discrimination is most closely associated with the_____approach to dealing with moral issues.

    ANSWER: fairness

69. The_____approach to ethical decision making fits easily with the concept of value in economics and the use of cost-benefit analysis in business.

    ANSWER: utilitarian

70. Decisions and policies that use the_____approach to decision making attempt to implement social systems, institutions, and environments that everyone depends on and that benefit all people.

    ANSWER: common good

71. A code of ethics cannot gain company-wide acceptance unless it is developed with_____and fully endorsed by the organization's leadership.

    ANSWER: employee participation

72. Section 406 of the_____requires public companies to disclose whether they have a code of ethics and to disclose any waiver of the code for certain members of senior management.

    ANSWER: Sarbanes-Oxley Act

73. During the problem definition process, one must be extremely careful not make_____about the situation.

    ANSWER: assumptions

74. _____is the practice of illegally making copies of software or enabling others to access software to which they are not entitled.

    ANSWER: Software piracy

75. The moral corruption of people in power, which is often facilitated by a tendency for people to look the other way when their leaders act inappropriately has been given the name_____.

    ANSWER: Bathsheba syndrome

76. _____acts conform to what an individual believes to be the right thing to do.

    ANSWER: Moral

77. _____frequently include a set of formal, written statements about the purpose of an organization, its values, and the principles that should guide its employees' actions.

    ANSWER: Codes of ethics

78. Supply chain sustainability is a component of_____that focuses on developing and maintaining a supply chain that meets the needs of the present without compromising the ability of future generations to meet their needs.

   ANSWER: corporate social responsibility (CSR)
            CSR
            corporate social responsibility
            (CSR) corporate social responsibility

79. The growth of the Internet and the ability to capture and store vast amounts of personal data have increased the risk that_____will be used unethically.

   ANSWER: information technology

80. A(n)_____aligns the practices of a workplace with the stated ethics and beliefs of that workplace, holding people accountable to ethical standards.

   ANSWER: corporate ethics officer

81. What is a social audit? Explain.

   ANSWER: In a social audit, an organization reviews how well it is meeting its ethical and social responsibility goals, and communicates it new goals for the coming year. This information is shared with employees, shareholders, investors, market analysts, customers, suppliers, government agencies, and the communities in which the organization operates.

82. Describe two trends that have increased the likelihood of unethical behavior.

   ANSWER: Several trends have increased the likelihood of unethical behavior. First, for many organizations, greater globalization has created a much more complex work environment that spans diverse cultures and societies, making it much more difficult to apply principles and codes of ethics consistently. For example, numerous U.S. companies have moved operations to developing countries, where employees work in conditions that would not be acceptable in most developed parts of the world.
            Second, in today's difficult and uncertain economic climate, organizations are extremely challenged to maintain revenue and profits. Some organizations are sorely tempted to resort to unethical behavior to maintain profits. For example, the chairman of the India-based outsourcing firm Satyam Computer Services admitted he had overstated the company's assets by more than $1 billion. The revelation represented India's largest ever corporate scandal and caused the government to step in to protect the jobs of the company's 53,000 employees.

83. In the context of an ethical decision-making process, discuss the importance of communication in implementing a change.

ANSWER: Once the alternative is selected, it should be implemented in an efficient, effective, and timely manner. This is much easier said than done, because people tend to resist change. In fact, the bigger the change, the greater the resistance to it. Communication is the key in helping people accept a change.

It is imperative that someone whom the stakeholders trust and respect answer the following questions: Why are we doing this? What is wrong with the current way we do things? What are the benefits of the new way for you?

A transition plan must be defined to explain to people how they will move from the old way of doing things to the new way. It is essential that the transition be seen as relatively easy and pain free.

84. Discuss the role of the board of directors in creating an ethical organization.

ANSWER: Board of directors of a company are expected to conduct themselves according to the highest standards for personal and professional integrity, while setting the standard for company-wide ethical conduct and ensuring compliance with laws and regulations. Employees will "get the message" if the directors set an example of high level of ethical behavior. If they don't set a good example, employees will get that message as well. Importantly, board members must create an environment where employees feel they can seek advice about appropriate business conduct, raise issues, and report misconduct through appropriate channels. Failure of the board to set an example of high-level ethical behavior or to intervene to stop unethical behavior can result in serious consequences.

85. Briefly describe the difference between morals, ethics, and laws.

ANSWER: Morals are one's own personal beliefs about right and wrong, while the term ethics describe standards or codes of behavior expected of an individual by a group (nation, organization, profession) to which an individual belongs. For example, the ethics of the law profession demand that defense attorneys defend an accused client to the best of their ability, even if they knows that the client is guilty of the most heinous and morally objectionable crime one could imagine.
Law is a system of rules that tells people what one can and cannot do. Laws are enforced by a set of institutions (the police, courts, law making bodies). Legal acts are acts that conform to the law. Moral acts conform with what an individual believes to be the right thing to do. Laws can proclaim an act as legal, although many people may consider the act immoral—for example, abortion.