

Chapter 3—Ethics & Social Responsibility

TRUE/FALSE

1. The media is identified by the text as one of the six modes of social control in an open and democratic society.

ANS: T PTS: 1 REF: 74 OBJ: 03-1 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

2. The six modes of social control are less important today due to the globalization of the world.

ANS: F
These six factors are more important today due to the increasing complexity of the global economy.

PTS: 1 REF: 74 OBJ: 03-1 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

3. The deontological theory of ethics is founded on the ability to predict the consequences of an action.

ANS: F
This is the basis of utilitarian ethical thinking.

PTS: 1 REF: 75 OBJ: 03-2 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

4. Whenever faced with a difficult customer, the owner of the shoe store remembered what the original store founder, his grandfather, had done in similar situations and did the same. In other words, the grandson based his decision on the deontological ethical theory.

ANS: F
This is describing the casuist ethical theory, which is a theory that compares a current ethical dilemma with examples of similar ethical dilemmas and their outcomes.

PTS: 1 REF: 75-76 OBJ: 03-2 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

5. Moral relativists believe in absolute rules.

ANS: F
Moral relativists believe that ethical truths depend on the individuals or groups holding them.

PTS: 1 REF: 76-77 OBJ: 03-2 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

6. Morals are rules people develop as a result of cultural values and norms.

ANS: T PTS: 1 REF: 78 OBJ: 03-3 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

7. Unfortunately, most businesspeople have not progressed beyond the self-centered and manipulative actions of preconventional morality.

ANS: F

Preconventional morality is childlike--calculating, self-centered, and even selfish, based on what will be immediately punished or rewarded. Fortunately, most businesspeople have progressed beyond this behavior.

PTS: 1 REF: 79 OBJ: 03-3 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

8. Top managers who behave ethically can influence others in an organization to behave ethically.

ANS: T PTS: 1 REF: 79 OBJ: 03-3 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

9. A code of ethics can be an effective internal control on behavior, which is more desirable than external controls like government regulations.

ANS: T PTS: 1 REF: 80 OBJ: 03-3 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

10. When writing codes of ethics, businesses must ensure their codes deal with every possible situation.

ANS: F

Codes that are too detailed encourage employees to substitute rules for judgment.

PTS: 1 REF: 81 OBJ: 03-3 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

11. For most employees a simple list of "dos and don'ts" are enough to maintain ethical behavior, and ethical training would be redundant.

ANS: F

Ethical training provides a contextual approach to how to behave ethically. A list does not help employees navigate the gray areas.

PTS: 1 REF: 82 OBJ: 03-3 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

12. Studies suggest that ethical beliefs vary only a little from culture to culture.

ANS: T PTS: 1 REF: 84 OBJ: 03-3 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

13. Sustainability refers to a business's concern for society's welfare.

ANS: F

Sustainability refers to the idea that socially responsible companies will outperform their peers by focusing on the world's social problems and viewing them as opportunities to build profits and help the world at the same time.

PTS: 1 REF: 86 OBJ: 03-4 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

14. Suppliers are considered stakeholders of a firm.

ANS: T PTS: 1 REF: 87 OBJ: 03-4 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

15. The foundation for the pyramid of corporate social responsibility is philanthropic responsibility.

ANS: F

The pyramid of corporate social responsibility portrays economic performance as the foundation for the other three responsibilities (legal, ethical, and philanthropic).

PTS: 1 REF: 88 OBJ: 03-4 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

16. The most basic argument for social responsibility is that it is simply the right thing to do.

ANS: T PTS: 1 REF: 88 OBJ: 03-5 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

17. Because social responsibility has proven to have a limited return on investment, the number of businesses opting to act socially responsible is declining.

ANS: F

Social responsibility of business is growing around the world. One study found that a one percent increase in the firm's social responsibility ratings led to a \$17 million increase in profits.

PTS: 1 REF: 89 OBJ: 03-5 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

18. While there are plenty of benefits for a socially responsible company, there is no clear-cut determination that ignoring social responsibility will have an adverse impact.

ANS: F

See AOL example in text.

PTS: 1 REF: 93 OBJ: 03-5 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

19. When Laurie uses her Target Visa card at the store, Target donates 1% of her purchase to her children's school. This is an example of cause-related marketing.

ANS: T PTS: 1 REF: 94-95 OBJ: 03-6 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

20. Everyone agrees that cause-related marketing is beneficial.

ANS: F

The text contains a section on the cause marketing controversy.

PTS: 1 REF: 95-96 OBJ: 03-6 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

21. One key to success of a cause-related marketing campaign is transparency. That is, the company should clearly state how the money is raised and how much will be going to the charity or other cause.

MULTIPLE CHOICE

1. The Hippocratic Oath that all physicians take states that the physician will never deliberately harm anyone for anyone else's interest and to avoid attempting to do things that other specialists can do better. This oath is an example of how _____ influences social control.
- an active civil society
 - laws
 - formal and informal organizations
 - the media
 - self-regulation

ANS: C

The Hippocratic oath is a code of ethics.

PTS: 1 REF: 73 OBJ: 03-1 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

2. Rainforest Action Network (RAN) campaigns for the forests, their inhabitants and the natural systems that sustain life. RAN relies on grassroots organizing, media stunts, and the occasional use of non-violent civil disobedience to pressure corporations into publicly adopting environmental policies that address issues ranging from deforestation to global warming. RAN uses an active civil society to direct:
- cultural backstop
 - social control
 - ethical mediation
 - social mentoring
 - ethical awareness

ANS: B

Social control is defined as the glue that holds society together. It's the factors that keep organizations from doing harm.

PTS: 1 REF: 73 OBJ: 03-1 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy | TB&E Model Promotion

3. All of the following are one of the six modes of social control EXCEPT:
- an active civil society
 - laws
 - the corporation
 - the media
 - self-regulation

ANS: C

The six modes of social control are: ethics, laws, formal and informal groups, self-regulation, the media, and an active civil society.

PTS: 1 REF: 73-74 OBJ: 03-1 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

4. Due to information provided by the news media, authorities in Arizona were able to close down C.P. Direct, a Scottsdale company that sold more than \$74 million worth of pills that it claimed would enhance one's mental abilities. This is one example of how the media serves as a mode of:
- cultural backstop
 - social control
 - ethical mediation
 - social mentoring
 - ethical awareness

ANS: B

Social control is the glue that holds society together. It's the factors that keep organizations from doing harm.

PTS: 1 REF: 73-74 OBJ: 03-1 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

5. Defenders of Wildlife is a United States non-profit organization founded in 1947 out of concern for perceived cruelties of the use of steel-jawed leghold traps for trapping fur-bearing animals. They were advocates for the Endangered Species Act in the United States through lobbying and by using the legal system for the protection of endangered or threatened species. This organization is an example of how _____ influence(s) social control.
- an active civil society
 - laws
 - formal and informal organizations
 - the media
 - self-regulation

ANS: A

An informed and engaged society can help shape and mold individual and corporate behavior.

PTS: 1 REF: 73-74 OBJ: 03-1 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

6. How does self-regulation influence social control?
- It is the voluntary acceptance of standards established by nongovernmental entities.
 - It allows everyone who wants to know to be informed about your behavior.
 - It is the acceptance of laws as a necessary evil.
 - It uses informed consumers to maintain ethical adherence.
 - It does not influence social control.

ANS: A

Self-regulation involves the voluntary acceptance of standards established by nongovernmental entities.

PTS: 1 REF: 74 OBJ: 03-1 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

7. Which of the following statements describes ethics?
- Ethics are the moral principles or values that generally govern the conduct of an individual.
 - Ethics is the standard of behavior by which conduct is judged.
 - Morals are a foundation for ethical behavior.
 - Ethical values are situation specific and time oriented.
 - All of the statements describe ethics.

ANS: E PTS: 1 REF: 75 OBJ: 03-2 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

8. _____ refers to the moral principles or values that generally govern the conduct of an individual or a group.
- Righteousness
 - Social consensus
 - Sustainability
 - Virtue
 - Ethics

ANS: E PTS: 1 REF: 75 OBJ: 03-2 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

9. All of the following are ethical theories relevant to marketing EXCEPT:
- deontology
 - attribution theory
 - utilitarianism
 - casuist ethical theory
 - moral relativism

ANS: B
Attribution theory is not an ethical theory.

PTS: 1 REF: 75-76 OBJ: 03-2 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

10. The _____ states that people should adhere to their obligations and duties when analyzing ethical dilemmas.
- virtue theory
 - deontological theory of ethics
 - utilitarian theory
 - theory of moral relativism
 - casuist ethical theory

ANS: B PTS: 1 REF: 75 OBJ: 03-2 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

11. After the Civil War, the U.S. military was ordered to the American West to remove the Indians from large tracts of land and confine them to reservations. While this practice may seem ethically wrong to us today, U.S. soldiers fought hard to prevent the Indians from disobeying the law as written by the federal government. Even though some were sympathetic to the Indian's plight, most of them adhered to a _____ view of ethical behavior and strove to perform their duty as directed by the law.
- reactive
 - deontological
 - fundamental
 - moral relativist
 - casuist

ANS: B
The deontological theory of ethics states that people should adhere to their obligations and duties when analyzing ethical dilemmas.

PTS: 1 REF: 75 OBJ: 03-2 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

12. Which ethical theory is founded on the ability to predict the consequences of an action?
- theory of virtue
 - deontological theory
 - utilitarian theory
 - moral relativism
 - casuist theory

ANS: C

The utilitarian ethical theory holds that the choice that yields the greatest benefit to the most people is the choice that is ethically correct and is founded on the ability to predict the consequences of an action.

PTS: 1 REF: 76 OBJ: 03-2 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

13. According to _____, the choice that yields the greatest benefit to the most people is the choice that is ethically correct.
- utilitarianism
 - deontology
 - fundamentalism
 - moral relativism
 - causal thinking

ANS: A

This is the definition of utilitarian ethical theory.

PTS: 1 REF: 76 OBJ: 03-2 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

14. The two types of utilitarianism are _____ and _____ .
- primary; secondary
 - causal; superfluous
 - consideration; evoked
 - proactive; reactive
 - act; rule

ANS: E

Act utilitarianism means a person performs the acts that benefit the most people, regardless of personal feelings or the societal constraints such as laws. Rule utilitarianism takes into account the law and is concerned with fairness.

PTS: 1 REF: 76 OBJ: 03-2 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

15. According to _____ utilitarianism, self-defense is legally justified while murder is not.
- rule
 - fundamental
 - causal
 - proactive
 - deontological

ANS: A

Rule utilitarianism takes into account the law and is concerned with fairness.

PTS: 1 REF: 76 OBJ: 03-2 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

16. "Politicians cannot avoid causing the death of innocent people if they try to keep public expenditure in check or help maintain a semblance of international order." Which ethical theory is most likely to accept the preceding statement as true?
- utilitarianism
 - deontology
 - fundamentalism
 - moral relativism
 - causal thinking

ANS: A

According to utilitarianism, the choice that yields the greatest benefit to the most people is the choice that is ethically correct.

PTS: 1 REF: 76 OBJ: 03-2 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

17. After the Civil War, the U.S. military was ordered to the American West to remove the Indians from large tracts of land and confine them to small reservations on land that was deemed worthless. Indian children were removed from their parents and sent to schools that tried to turn the Indian children into models of good U.S. citizens. While this practice may seem ethically wrong to us today, politicians knew that the demand of the U.S. population for more land could only be achieved if the smaller Indian population was made to accede to the wishes of the majority. This is an example of the application of:
- utilitarianism
 - deontology
 - fundamentalism
 - moral relativism
 - causal thinking

ANS: A

According to utilitarianism, the choice that yields the greatest benefit to the most people is the choice that is ethically correct.

PTS: 1 REF: 76 OBJ: 03-2 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

18. Which ethical theory compares a current ethical dilemma with examples of similar ethical dilemmas and their outcomes, thus allowing one to determine the severity of the situation and to create the best possible solution according to others' experiences?
- virtue theory
 - deontological theory of ethics
 - utilitarian theory
 - theory of moral relativism
 - casuist ethical theory

ANS: E

The casuist ethical theory compares a current ethical dilemma with examples of similar ethical dilemmas and their outcomes.

PTS: 1 REF: 76 OBJ: 03-2 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

19. One drawback of the _____ is that there may not be a set of similar examples for a given ethical dilemma.
- a. virtue theory
 - b. deontological theory of ethics
 - c. utilitarian theory
 - d. theory of moral relativism
 - e. casuist ethical theory

ANS: E

The casuist ethical theory compares a current ethical dilemma with examples of similar ethical dilemmas and their outcomes.

PTS: 1 REF: 76 OBJ: 03-2 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

20. People who believe that ethical truths depend on the individuals or groups holding them are referred to as:
- a. moral relativists
 - b. casuists
 - c. virtuists
 - d. ethicalists
 - e. normative utilitarians

ANS: A

Moral relativists believe in time-and-place ethics, that is, ethical truths depend on the individuals and groups holding them.

PTS: 1 REF: 76-77 OBJ: 03-2 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

21. People who believe in the _____ judge according to time-and-place ethics.
- a. virtue theory
 - b. deontological theory of ethics
 - c. utilitarian theory
 - d. theory of moral relativism
 - e. casuist ethical theory

ANS: D

Moral relativists believe that ethical truths depend on the individuals or groups holding them.

PTS: 1 REF: 76-77 OBJ: 03-2 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

22. People who believe in the _____ do not believe in absolute rules. Their beliefs center on the pressure of the moment and whether the pressure justifies the action taken.
- a. virtue theory
 - b. deontological theory of ethics
 - c. utilitarian theory
 - d. theory of moral relativism
 - e. casuist ethical theory

ANS: D

Moral relativists believe that ethical truths depend on the individuals or groups holding them.

PTS: 1 REF: 76-77 OBJ: 03-2 TYPE: Comp

TOP: AACSB Ethics | TB&E Model Strategy

23. The _____ is a moral philosophy that emphasizes character rather than rules or consequences.
- a. virtue theory
 - b. deontological theory of ethics
 - c. utilitarian theory
 - d. theory of moral relativism
 - e. casuist ethical theory

ANS: A

Virtue is a character trait valued as being good.

PTS: 1 REF: 77 OBJ: 03-2 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

24. Proponents of the _____ hold that solving ethical dilemmas requires training and that individuals solve ethical dilemmas when they develop and nurture a set of character traits valued as being good.
- a. virtue theory
 - b. deontological theory of ethics
 - c. utilitarian theory
 - d. theory of moral relativism
 - e. casuist ethical theory

ANS: A

Virtue is a character trait valued as being good.

PTS: 1 REF: 77 OBJ: 03-2 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

25. _____ are the rules that people develop as a result of cultural values and norms.
- a. Virtues
 - b. Ethics
 - c. Socialization
 - d. Conscience
 - e. Morals

ANS: E

Morals are the rules that people develop as a result of cultural values and norms.

PTS: 1 REF: 78 OBJ: 03-3 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

26. One approach to developing a personal set of ethics is to:
- a. rely solely on one's personal character to determine what action to take
 - b. stress the importance of rules
 - c. ignore problems associated with the magnitude of consequences
 - d. avoid examining the consequences of particular acts
 - e. never trust your own behavioral instincts

ANS: B

One approach to developing a personal set of ethics stresses the importance of rules. Another is to examine the consequences of a particular act.

PTS: 1 REF: 78 OBJ: 03-3 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

27. Ethical development can be thought as having three levels. The most basic, childlike level is the _____ stage.
- a. preconventional morality
 - b. transformationalism
 - c. conventional morality
 - d. postconventional morality
 - e. actualized morality

ANS: A

The three levels morality are preconventional, which is the most basic, conventional, and postconventional.

PTS: 1 REF: 79 OBJ: 03-3 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

28. Hallie is a calculating, self-centered salesperson. She never engages in relationship marketing. She looks on any sales situation as a "win-lose" situation, and she believes any legal method she can use is justified when she wins. Hallie is most likely at the _____ stage of ethical development.
- a. preconventional morality
 - b. transformationalism
 - c. conventional morality
 - d. egocentrism
 - e. basic morality

ANS: A

Preconventional morality is the most basic level of morality.

PTS: 1 REF: 79 OBJ: 03-3 TYPE: App
TOP: AACSB Analytic | TB&E Model Research

29. Which level of ethical development moves from an egocentric viewpoint toward the expectations of society?
- a. postconventional morality
 - b. conventional morality
 - c. preconventional morality
 - d. secondary morality
 - e. primary morality

ANS: B

Conventional morality is the second level of morality and moves from an egocentric viewpoint of the preconventional level toward the expectations of society.

PTS: 1 REF: 79 OBJ: 03-3 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

30. Ruthanne Ross is a sales manager for Pampered Chef, a company that sells kitchen tools and other aids for cooking through party plans. She is very concerned about making sure her salespeople understand the importance of treating each customer fairly and developing long-term relationships with them. She asks that before a sale is made, the salesperson should make sure customers can afford the items and are not buying due to social pressures. Ross is most likely at the _____ stage of ethical development.
- a. preconventional morality
 - b. transformationalism
 - c. conventional morality
 - d. postconventional morality

e. actualized morality

ANS: D

Postconventional morality is that of the mature adult. At this level, the individual is more concerned about others than about himself or herself.

PTS: 1 REF: 79 OBJ: 03-3 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

31. In the _____ stage of ethical development, loyalty and obedience to the organization or to society become paramount.
- a. preconventional morality
 - b. transformationalism
 - c. conventional morality
 - d. postconventional morality
 - e. actualized morality

ANS: C

The conventional stage moves from an egocentric viewpoint toward the expectations of society.

PTS: 1 REF: 79 OBJ: 03-3 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

32. The _____ stage of ethical development represents the morality of the mature adult.
- a. preconventional morality
 - b. transformationalism
 - c. conventional morality
 - d. postconventional morality
 - e. actualized morality

ANS: D

At this level, people are less concerned about how others might see them and more concerned about how they see and judge themselves over the long run.

PTS: 1 REF: 79 OBJ: 03-3 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

33. Which of the following is an unethical practice marketing managers may have to deal with?
- a. entertainment and gift giving
 - b. false or misleading advertising
 - c. price deception
 - d. unsafe products or services
 - e. all of these choices

ANS: E

Exhibit 3.2 lists several unethical practices marketing managers may have to deal with.

PTS: 1 REF: 79 OBJ: 03-3 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

34. Which of the following factors will influence ethical decision making and judgments?
- a. likelihood of stakeholder responsibility
 - b. proactive nature of organizational sustainability
 - c. potential magnitude of the consequences
 - d. probability of ethical consensus

e. consequence of adjacencies

ANS: C

The potential magnitude of the consequences is one of several factors that tend to influence ethical decision making and judgment.

PTS: 1 REF: 79-80 OBJ: 03-3 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

35. All of the following are factors influencing ethical decision making and judgments EXCEPT:
- a. rate of prosecution
 - b. top management actions on ethics
 - c. probability of a harmful outcome
 - d. number of people to be affected
 - e. social consensus

ANS: A

Other factors include extent of ethical problems within the organization, potential magnitude of the consequences, and the length of time between the decision and the onset of consequences.

PTS: 1 REF: 79-80 OBJ: 03-3 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

36. Like many other professional organizations and businesses, the American Marketing Association has developed a formal, written guideline to help its members make better ethical decisions. This document is a:
- a. behavioral practice
 - b. moral ruling
 - c. code of ethics
 - d. direction of value
 - e. principled regulation

ANS: C

While codes of ethics are most often defined as guidelines for businesses, they are also important moral guides for professional organizations.

PTS: 1 REF: 80 OBJ: 03-3 TYPE: Def
TOP: AACSB Ethics | TB&E Model Product

37. All of the following statements about the creation of a code of ethics are true EXCEPT:
- a. A written code helps employees avoid confusion when determining whether their decisions are ethical.
 - b. A code can be an effective internal control on behavior.
 - c. The process of formulating the code facilitates discussions that ultimately create better decisions.
 - d. A code helps employees identify what their firm recognizes to be acceptable business practices.
 - e. A code guarantees ethical behavior among a firm's employees.

ANS: E

Creating ethics guidelines has several advantages, but it does not guarantee ethical behavior.

PTS: 1 REF: 80 OBJ: 03-3 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

38. With regard to ethical decision making, an individual should ask themselves all of the following EXCEPT:
- a. Would individuals or groups, particularly customers, be upset if they know about my decision?
 - b. Is my decision fair to all concerned?
 - c. Would I prefer to avoid the consequences of my decision?
 - d. How likely is it that I will be caught?
 - e. Will I have to pull rank or use coercion to implement my decision?

ANS: D

See Exhibit 3.4 for an ethics checklist of questions to ask when contemplating an ethical decision.

PTS: 1 REF: 81 OBJ: 03-3 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

39. Why do corporations engage in ethics training?
- a. because it reduces the potential harm of questionable acts
 - b. because it is a reactive way to protect organizations from legal action
 - c. because it helps employees put good ethics into practice
 - d. because the federal government requires it of all businesses with more than 100 employees
 - e. because it guarantees ethical behavior among employees

ANS: C

Ethics training is a good way to help employees put good ethics into practice.

PTS: 1 REF: 82 OBJ: 03-3 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

40. Concern about U.S. corporations' use of illegal payments and bribes in international business dealings led to the passage of the:
- a. Global Pact on Business
 - b. International Trade Commission Act
 - c. United Nations Anti-Corruption Act
 - d. Foreign Corrupt Practices Act
 - e. International Code of Business Practices

ANS: D

The Foreign Corrupt Practices Act is a law that prohibits U.S. corporations from making illegal payments to public officials of foreign governments to obtain business rights or to enhance their business dealings in those countries.

PTS: 1 REF: 84 OBJ: 03-3 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

41. The _____ prohibits U.S. corporations from making illegal payments to public officials of foreign governments to obtain business rights or to enhance their business dealings in those countries.
- a. Fortune 500 Pact on Business
 - b. International Trade Commission Act
 - c. United Nations Anti-Corruption Act
 - d. Foreign Corrupt Practices Act
 - e. Sherman Anti-Bribery Act

ANS: D

This is the purpose of the Foreign Corrupt Practices Act.

PTS: 1 REF: 84 OBJ: 03-3 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

42. Critics of the Foreign Corrupt Practices Act contend that the act has:
- hindered the growth of developing nations
 - created a competitive disadvantage for U.S. businesses
 - promoted a negative image of American businesspeople
 - given U.S. businesses an unfair advantage over companies in the host country
 - encouraged deceptive advertising

ANS: B

Many contend that bribery is an unpleasant but necessary part of international business and the Act puts U.S. businesses at a disadvantage compared to firms from other countries that go along with the practice.

PTS: 1 REF: 84 OBJ: 03-3 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

43. _____ is the concern of business for the long-range welfare of both the company and its relationships to the society within which it operates.
- Consumerism
 - Corporate social responsibility
 - Cultural sensitivity
 - Conventional morality
 - Environmental consideration

ANS: B

Corporate social responsibility is a business's concern for society's welfare.

PTS: 1 REF: 86 OBJ: 03-4 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

44. Corporate social responsibility is defined as the:
- belief that the legal system defines ethical behavior
 - development of inclusive codes of ethics
 - rules by which social rewards are attained
 - concern for social welfare by businesses
 - coordination of social programs for publicity purposes

ANS: D

Corporate social responsibility is a business's concern for society's welfare.

PTS: 1 REF: 86 OBJ: 03-4 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

45. For every home built by Habitat for Humanity, Whirlpool Corporation has given and continues to give free kitchen appliances to the deserving family. This donation of appliances is an example of how companies assume their:
- corporate social responsibility
 - ethical conveyance
 - duty to engage in cause marketing
 - right to engage in social marketing
 - multiculturalism

ANS: A

Corporate social responsibility is a business's concern for society's welfare, in this case deserving families selected by the Habitat organization.

PTS: 1 REF: 86 OBJ: 03-4 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

46. NSTAR Gas & Electric Company in Boston provides continuing financial support for an injury prevention program run by the Children's Hospital Boston. This funding is an example of:
- corporate social responsibility
 - ethical conveyance
 - a duty to engage in cause marketing
 - a right to engage in social marketing
 - multiculturalism

ANS: A

Corporate social responsibility is a business's concern for society's welfare, in this case an injury prevention program.

PTS: 1 REF: 86 OBJ: 03-4 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

47. Novartis created the Novartis Research Institute for Tropical Diseases in Singapore. The institute is unique because it is a not-for-profit organization that focuses on the discovery of new drugs for the treatment of neglected diseases, such as dengue fever and tuberculosis. Not only is this good business, it is also:
- mandated by Supreme Court rulings
 - socially responsible
 - not ethically motivated
 - demonstrating a lack of concern for diversity
 - using environmental marketing

ANS: B

Social responsibility is the duty that a business feels for the welfare of society. By helping developing nations, Novartis is helping to meet the needs of society.

PTS: 1 REF: 86 OBJ: 03-4 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

48. Many airlines offer passengers the option to purchase carbon offsets as an environmentally-friendly compensation for their carbon footprint. For example, Delta customers can pay \$10 to a fund that plants trees as a way to offset the carbon emissions from the airplane. Some would say Delta is:
- acting in accordance with recent rulings by the U.S. Supreme Court
 - socially responsible
 - not ethically motivated
 - demonstrating a lack of concern for diversity
 - using issue-oriented marketing

ANS: B

Social responsibility is the duty that business feels for the welfare of society.

PTS: 1 REF: 86 OBJ: 03-4 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

49. _____ is the idea that socially responsible companies will outperform their peers by focusing on the world's social problems and viewing them as opportunities to build profit and help the world at the same time.
- a. Sustainability
 - b. Philanthropy
 - c. Cause marketing
 - d. Creative ethics
 - e. International ethics

ANS: A

Sustainability looks at the long term and is based on the notion that companies cannot thrive for long in a world where billions of people are suffering and are desperately poor.

PTS: 1 REF: 86-87 OBJ: 03-4 TYPE: Def

TOP: AACSB Ethics | TB&E Model Strategy

50. Which of the following statements about the theory of sustainability is true?
- a. Sustainability is an internal process in which companies match resources and objectives.
 - b. Sustainability is the idea that socially responsible companies will outperform their peers when they focus on the world's problems as marketing opportunities.
 - c. According to the theory of sustainability, a company cannot be socially responsible without a code of ethics and managerial support of that code.
 - d. According to the theory of sustainability, ethical behavior should never be viewed as the means of obtaining a competitive advantage.
 - e. Sustainability is only successful if it focuses on organizational strengths.

ANS: B

Sustainability is the idea that socially responsible companies will outperform their peers by focusing on the world's social problems and viewing them as opportunities to build profit and help the world at the same time.

PTS: 1 REF: 86-87 OBJ: 03-4 TYPE: Comp

TOP: AACSB Ethics | TB&E Model Strategy

51. Which theory holds that social responsibility is paying attention to the interest of every affected stakeholder in every aspect of a firm's operation?
- a. stockholder theory
 - b. theory of reasoned action
 - c. attribution theory
 - d. theory of ethical enhancement
 - e. stakeholder theory

ANS: E

This is the definition of stakeholder theory.

PTS: 1 REF: 87 OBJ: 03-3 TYPE: Def

TOP: AACSB Ethics | TB&E Model Strategy

52. Which of the following could be a stakeholder of a corporation?
- a. employee
 - b. customer
 - c. local citizen
 - d. supplier
 - e. all of the above

ANS: E

The stakeholders of a typical corporation include employees, management, customers, the local community, suppliers, and owners.

PTS: 1 REF: 87 OBJ: 03-4 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

53. The pyramid of corporate social responsibilities contains all of the following components EXCEPT:
- economic responsibilities
 - ethical responsibilities
 - cultural responsibilities
 - legal responsibilities
 - philanthropic responsibilities

ANS: C

See Review Learning Outcome 4.

PTS: 1 REF: 87 OBJ: 03-4 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

54. The four components of the pyramid of corporate social responsibility are:
- sustainability, creativity, profit, and culture
 - organizational culture, creativity imagery, economic performance, and objectivity
 - organizational, financial, social, and cultural responsibilities
 - sustainability, legality, creativity, and competition
 - economic, legal, ethical, and philanthropic responsibilities

ANS: E

The four components of the pyramid of corporate social responsibility are economic, legal, ethical, and philanthropic responsibilities.

PTS: 1 REF: 87-88 OBJ: 03-4 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

55. At the most basic level, a firm must be profitable. What level of the pyramid of corporate social responsibility is this?
- social
 - economic
 - ethical
 - legal
 - accountability

ANS: B

The pyramid of corporate social responsibility portrays economic performance as the foundation for the other three responsibilities (legal, ethical, and philanthropic).

PTS: 1 REF: 87-88 OBJ: 03-4 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

56. One of the favorite foods in Thailand is shark fin soup. A San Francisco-based organization claimed the soup made by its leading producer contained mercury poison, yet the leading producer of shark fin soup wanted to continue selling the soup because it believes it has a responsibility to its investors to be profitable. In terms of the pyramid of corporate social responsibility, this indicates that the soup manufacturer was operating at a(n) _____ responsibility level.
- legal

- b. philanthropic
- c. ethical
- d. economic
- e. cultural

ANS: D

The company believed its mission was to be profitable.

PTS: 1 REF: 87 OBJ: 03-4 TYPE: App

TOP: AACSB Reflective Thinking | TB&E Model Product

57. At which level of the pyramid of corporate social responsibility must a business “play by the rules”?
- a. economic
 - b. philanthropic
 - c. legal
 - d. ethical
 - e. conformist

ANS: C

Firms operating at the legal level obey the law and play by the rules of the game.

PTS: 1 REF: 87 OBJ: 03-4 TYPE: Def

TOP: AACSB Ethics | TB&E Model Strategy

58. Japanese law prohibits the storage of more than 50 pounds of explosive at any single site in the nation. Every night Universal Studios Japan hosts a fireworks display. The theme park recently came under government investigation when allegations were made that the park was detonating more than 50 pounds of explosives in its nightly fireworks displays. If the allegations are true, in terms of the pyramid of corporate social responsibility, then Universal Studios Japan is not operating at a(n) _____ responsibility level.
- a. legal
 - b. philanthropic
 - c. ethical
 - d. economic
 - e. cultural

ANS: A

Universal Studios Japan is not obeying the letter of the law.

PTS: 1 REF: 87 OBJ: 03-4 TYPE: App

TOP: AACSB Reflective Thinking | TB&E Model Product

59. In the future, electrical power may come from quantum nucleonics, a form of nuclear power that produces no residual radiation. The ability to use this form of power will require equipment adaptations, but it will solve the world's need for clean and efficient power. Companies that replace inefficient sources of power with quantum nucleonics only after they are required to by the Environmental Protection Agency (EPA) are operating at a(n) _____ responsibility level.
- a. legal
 - b. philanthropic
 - c. ethical
 - d. economic
 - e. cultural

ANS: A

At the legal responsibilities level, the business obeys the law.

PTS: 1 REF: 87 OBJ: 03-4 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

60. At what level of the pyramid of corporate social responsibility will firms do what is right, just, and fair and avoid harm?
- economic
 - philanthropic
 - legal
 - ethical
 - moral

ANS: D

At the ethical responsibilities level, firms will be ethical and do what is right, just, and fair and will avoid harm.

PTS: 1 REF: 87 OBJ: 03-4 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

61. Girls between the ages of 8 and 15 are one of the growing markets for high-end shoe manufacturers, and podiatrists say the trend is leading to many stylish young girls with grown-up foot problems. Shoe manufacturers who develop and market adult-styled shoes to this group are not operating at a(n) _____ responsibility level of the pyramid of corporate social responsibility.
- legal
 - philanthropic
 - ethical
 - economic
 - cultural

ANS: C

The companies are not doing what is right, just and fair and so are not operating ethically.

PTS: 1 REF: 87 OBJ: 03-4 TYPE: App
TOP: AACSB Ethics | TB&E Model Product

62. At what level of the pyramid of corporate social responsibility will a company be a good corporate citizen and contribute resources to the community and strive to improve the quality of life?
- economic
 - philanthropic
 - social
 - legal
 - ethical

ANS: B

Philanthropic responsibilities involve being a good corporate citizen by contributing resources to the community and improving the quality of life.

PTS: 1 REF: 87 OBJ: 03-4 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

63. Pacific Gas and Electric (PG&E) Company has donated almost \$300,000 to 58 local governments and community-based organizations for local economic development projects. Recipients of these grants include the San Benito County Economic Development Corporation's Business Outreach Program, the San Jose Conservation Corps' Hennessy Place Affordable Single-Family Housing Project, and Mariposa County's Business Development Training Program. This sort of donation indicates PG&E was operating at a(n) _____ responsibility level of the pyramid of corporate social responsibility.
- legal
 - philanthropic
 - ethical
 - economic
 - cultural

ANS: B

By supporting local economic development projects, PG&E was being a good corporate citizen.

PTS: 1 REF: 87 OBJ: 03-4 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

64. The fact that many people believe that businesses should focus on making a profit and leave social and environmental issues to nonprofit organizations is:
- one of the arguments in support of social responsibility
 - one of the reasons why so many organizations have a sustainability plan
 - creating a competitive disadvantage for larger corporations
 - forcing organizations to choose between stakeholders and the environments in which the stakeholders live
 - one of the arguments against social responsibility

ANS: E

This is just one argument against social responsibility.

PTS: 1 REF: 88 OBJ: 03-5 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

65. Which of the following is an argument used against corporate social responsibility (CSR)?
- Businesses don't have the expertise to make social decisions.
 - Social and environmental problems should be handled by nonprofit organizations
 - The free market, not companies, should decide what is best for the world.
 - Cleaning up the environment, ensuring product safety, and donating money and time for social causes raise costs.
 - All of the above are arguments used against CSR.

ANS: E

These are the main arguments against corporate social responsibility.

PTS: 1 REF: 88 OBJ: 03-5 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

66. Which of the following is an argument used to support corporate social responsibility (CSR)?
- The free market, not companies, should decide what is best for the world.
 - CSR can be a profitable undertaking.
 - Businesses are not responsible for social or environmental problems.
 - Businesses don't have the expertise to make social decisions.
 - All of the above are arguments used in support of CSR.

ANS: B

Smart companies can prosper and build shareholder value by tackling global problems.

PTS: 1 REF: 88-89 OBJ: 03-5 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

67. Nordic Travel Retail Group (NTRG) Chairman Erik Thomsen, speaking at the Nordic Travel Retail Seminar said, "Travel retail is all about great brands in a great environment. Our sector is no longer an isolated channel that consumers, as well as politicians, only become aware of when accompanying their families on annual summer holidays or enjoying city breaks or weekend cruises. The reality is that quite simply, if we choose to keep our distance and focus narrowly on products and customers, others will set the agenda and leave us at the mercy of the political process." He continued by saying, "We should not only take climate change seriously, but also ensure that our consumers know we do." Thomsen is calling for his industry to engage in:
- enhanced philanthropy
 - progressive sustainability
 - proactive social responsibility
 - protecting adjacencies
 - increased social consensus

ANS: C

Proactive social responsibility is being socially responsible before it is necessary to be socially responsible. See H. J. Heinz and Chiquita examples in text.

PTS: 1 REF: 90 OBJ: 03-5 TYPE: Comp
TOP: AACSB Ethics | TB&E Model Strategy

68. The movement to develop and market products designed to minimize negative effects on the physical environment or to improve the environment is known as:
- enviromarketing
 - green marketing
 - cause marketing
 - social marketing
 - minimalist marketing

ANS: B

Green marketing is an outgrowth of the social responsibility movement and focuses on the environment.

PTS: 1 REF: 94 OBJ: 03-5 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

69. _____ is the cooperative effort of a for-profit firm and a nonprofit organization.
- Environmental sustainability
 - Social sustainability
 - Cause-related marketing
 - Advocacy marketing
 - Nonprofit marketing

ANS: C

This is the definition of cause-related marketing.

PTS: 1 REF: 94 OBJ: 03-6 TYPE: Def
TOP: AACSB Ethics | TB&E Model Strategy

70. Oliver's Artisan Breads announced that it will donate 10 percent of net profits from its store line of breads to the Bread for the World Institute, a "nationwide nonprofit organization that seeks justice for the world's hungry people by lobbying our nation's decision-makers." This is an example of:
- environmental sustainability
 - social sustainability
 - cause-related marketing
 - advocacy marketing
 - nonprofit marketing

ANS: C

Cause-related marketing is the cooperative effort of a for-profit firm and a nonprofit organization.

PTS: 1 REF: 94 OBJ: 03-6 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

71. Since 2002, General Mills through sales of its Cheerios brand cereal has donated over \$2.0 million to First Book, a national nonprofit organization dedicated to giving new books to children from low-income families, through the Spoonfuls of Stories program. General Mills is engaged in:
- environmental sustainability
 - social sustainability
 - cause-related marketing
 - advocacy marketing
 - philanthropy

ANS: C

Cause-related marketing is the cooperative effort of a for-profit firm and a nonprofit organization.

PTS: 1 REF: 94 OBJ: 03-6 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

72. Every year, Hudson & Lane, a law office, donates \$5,000 to a local school or charity. Is this an example of cause-related marketing?
- Yes, because it occurs annually.
 - Yes, because it is a specific donation.
 - No, because it exemplifies a for-profit organization donating to a non-profit organization.
 - No, because it creates publicity for the law office.
 - No, because it is an example of philanthropy.

ANS: E

Philanthropy generally involves a specific donation that is tax deductible while cause marketing is a marketing relationship not based on a straight donation.

PTS: 1 REF: 94 OBJ: 03-6 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy | TB&E Model Customer

73. General Mills is consistently ranked among the top five contributors of food in the United States. The company also steps forward to help support victims of natural disasters with food donations to organizations such as the American Red Cross. These donations of food are an example of:
- environmental sustainability
 - social sustainability
 - cause-related marketing
 - advocacy marketing
 - philanthropy

ANS: E

Philanthropy is corporate giving. Cause-related marketing differs from corporate giving in that it is a relationship, not based on a straight donation.

PTS: 1 REF: 94 OBJ: 03-6 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

74. Monique Penn makes stunningly expensive one-of-a-kind bracelets at luxury stores such as Bergdorf-Goodman. Portions of the proceeds from the sales of its jewelry go to support the Alaska Native Arts Foundation, which trains and educates indigenous people and to Charity Water, a nonprofit organization with a mission to bring clean water to impoverished people. Imagine someone is motivated to buy a piece of her jewelry in order to benefit one of the above nonprofits. This customer wants to ask Penn the "Five Questions to Ask before Participating in a Cause-Related Marketing Program." Which question would Monique Penn have the most trouble answering candidly?
- Is the company committed?
 - How is the program structured?
 - How will the organization that benefits use my money?
 - Does she find the program meaningful?
 - Who does this program benefit?

ANS: B

The company should clearly state exactly how much it will be giving to the charities. There are no details as to the size of the donation.

PTS: 1 REF: 95-96 OBJ: 03-6 TYPE: App
TOP: AACSB Ethics | TB&E Model Strategy

NARRBEGIN: Florida Hospitals

Florida Hospitals

A group of hospital administrators in Florida were discussing the amount of resources used to care for patients that were illegal immigrants and had no medical insurance. One man discussed how his hospital had spent over \$2 million on one illegal immigrant who had no family or friends and who was not getting better. Another administrator stated that his hospital was losing \$20 million annually in order to provide care for the influx of illegal immigrants into the state. After a great deal of discussion, it was determined that there was probably nothing anyone of them could do about the situation, and that each of them had very definite ideas about how to deal with the problems.

NARREND

75. Refer to Florida Hospitals. When one administrator said, "We got into medicine to help people and these illegals without insurance need our help as much as anyone else does," he was expressing his opinion in accordance with the _____ ethical theory.
- act utilitarianism
 - casuist
 - role utilitarianism
 - moral relativity
 - deontological

ANS: E

The deontological theory states that people should adhere to their obligations and duties when analyzing an ethical dilemma.

PTS: 1 REF: 75 OBJ: 03-2
TOP: AACSB Ethics | TB&E Model Customer

76. Refer to Florida Hospitals. One administrator said, "If we were not forced to care for the illegal immigrants who have no resources and could empty our hospital beds of them, we could provide much better care for those law-abiding patients who have insurance." Because she believes in benefiting as many people as possible, she more than likely adheres to the _____ ethical theory.
- a. utilitarianism
 - b. casuist
 - c. virtue ethics
 - d. moral relativism
 - e. deontological

ANS: A

The utilitarian ethical theory is founded on the ability to predict the consequences of an action and holds that the choice that yields the greatest benefit to the most people is the choice that is ethically correct.

PTS: 1 REF: 76 OBJ: 03-2
TOP: AACSB Ethics | TB&E Model Strategy

77. Refer to Florida Hospitals. One older administrator talked about an early job in Africa where the hospital had been flooded with refugees. He said, "The hospital was short resources for awhile, but the government stepped up and helped. We were able to get up-to-date equipment because officials saw we had a need. I believe the rest of you administrators need to be more patient." In suggesting patience, this administrator was basing his thinking on the _____ ethical theory.
- a. act utilitarianism
 - b. casuist
 - c. role utilitarianism
 - d. moral relativism
 - e. deontological

ANS: B

The casuist ethical theory compares a current ethical dilemma with examples of similar ethical dilemmas and their outcomes.

PTS: 1 REF: 76 OBJ: 03-2
TOP: AACSB Ethics | TB&E Model Strategy

78. Refer to Florida Hospitals. In another conversation, one of the administrators said, "I think the decision to care for the illegals should be based on an individual choice. Certainly, I would want to care for a working man who is supporting six children, but I am inclined to think that if the man has no income and shows no desire to provide for himself, then he should not become a burden to the hospital." This thinking is indicative of the _____ ethical theory.
- a. act utilitarianism
 - b. casuist
 - c. role utilitarianism
 - d. moral relativism
 - e. deontological

ANS: D

Moral relativists believe in time-and-place ethics.

PTS: 1 REF: 76 OBJ: 03-2
TOP: AACSB Ethics | TB&E Model Customer

79. Refer to Florida Hospitals. In order to make an ethical decision on how to handle uninsured illegal immigrants, the Florida hospital administrators must consider all of the following EXCEPT:

- a. social consensus
- b. number of people affected by the decision
- c. probability of harmful outcome to the hospital and to the individuals
- d. magnitude of morality
- e. length of time between decision and the onset of consequence

ANS: D

Other considerations include potential magnitude of the consequences, top management actions on ethics, and the extent of ethical problems within the organization.

PTS: 1 REF: 79-80 OBJ: 03-3
 TOP: AACSB Ethics | TB&E Model Customer

NARRBEGIN: Drug Marketing

Drug Marketing

Pharmaceutical companies spent \$4.4 billion on prescription drug advertising in 2008, mostly on television and in magazines. While the Internet is becoming a more prominent medium to reach consumers and is the primary source used to seek health information, these companies spent less than \$130 million on Web marketing. One reason is that there are no guidelines, which makes these heavily-regulated marketers uneasy. For example, television commercials for prescription drugs must include disclosures regarding the major side effects if the brand name is mentioned in the ad. The Food and Drug Administration (FDA) claims that existing regulations address many of the Internet advertising issues, but other aspects of Web marketing, such as social networking and search marketing, must be reviewed. That's why the FDA hearings on this issue were attended by pharmaceutical giants and Web companies like Google, Yahoo, and WebMD Health.

NARREND

80. Refer Drug Marketing. Which mode of social control is likely causing the relatively small expenditures on Web marketing by pharmaceutical companies?
- a. ethics
 - b. laws
 - c. media
 - d. civil society
 - e. informal groups

ANS: B

Pharmaceutical companies are concerned with the regulations associated with promoting their products on the Internet.

PTS: 1 REF: 73 OBJ: 03-1
 TOP: AACSB Ethics | TB&E Model Strategy

81. Refer Drug Marketing. Drug manufacturers are hesitant to make full use of the Internet as an advertising medium because they are comparing the regulations imposed on their advertising in other media, such as television. Which ethical theory does this illustrate?
- a. casuist
 - b. utilitarianism
 - c. moral relativism
 - d. deontology
 - e. social responsibility

ANS: A

The casuist ethical theory compares a current ethical dilemma with examples of similar ethical dilemmas and their outcomes.

PTS: 1 REF: 76 OBJ: 03-2
TOP: AACSB Ethics | TB&E Model Promotion

82. Refer to Drug Marketing. Which level of the pyramid of social responsibility is most relevant to this situation in which the drug companies want to ensure that they are “playing by the rules”?
- legal responsibilities
 - ethical responsibilities
 - philanthropic responsibilities
 - economic responsibilities
 - standard responsibilities

ANS: A

Legal responsibilities are based on obeying the law. Law is society’s codification of right and wrong.

PTS: 1 REF: 87 OBJ: 03-4
TOP: AACSB Ethics | TB&E Model Strategy

83. Refer to Drug Marketing. If a drug manufacturer claimed that its manufacturing processes were environmentally-friendly in its advertising, this is an example of:
- sustenance marketing
 - green marketing
 - philanthropy
 - deontological marketing
 - clean marketing

ANS: B

Green marketing is an outgrowth of the social responsibility movement and is the development and marketing of products designed to minimize negative effects on the physical environment or to improve the environment.

PTS: 1 REF: 94 OBJ: 03-5
TOP: AACSB Ethics | TB&E Model Promotion

84. Refer to Drug Marketing. If a drug manufacturer donated \$5 to AIDS research for every prescription sold in the United States, this would be an example of:
- utilitarianism
 - moral relativism
 - cause-related marketing
 - green marketing
 - conventional morality

ANS: C

Cause-related marketing is the cooperative marketing efforts between a “for-profit” firm and a “nonprofit organization.”

PTS: 1 REF: 94 OBJ: 03-6
TOP: AACSB Ethics | TB&E Model Promotion

ESSAY

1. List the six modes of social control.

ANS:

The six modes of social control are (1) ethics, (2) laws, (3) formal and informal groups, (4) self-regulation, (5) the media, and (6) an active civil society.

PTS: 1 REF: 73-74 OBJ: 03-1
TOP: AACSB Communication | AACSB Ethics | TB&E Model Strategy

2. Define the deontological ethical theory and describe a person that adheres to this theory of ethics.

ANS:

The deontological ethical theory states that people should adhere to their obligations and duties when analyzing an ethical dilemma. A person who adheres to deontology will follow his or her obligation to another individual or society because upholding one's duties is what is considered to be ethically correct. He will always keep his promises to a friend and always follow the law. A person following this theory will produce very consistent decisions since they will be based on the individual's set duties.

PTS: 1 REF: 75 OBJ: 03-2
TOP: AACSB Communication | AACSB Ethics | TB&E Model Strategy

3. Define utilitarianism and its two types. How does this theory differ from the casuist ethical theory?

ANS:

Utilitarianism is an ethical theory that holds that the choice that yields the greatest benefit to the most people is the choice that is ethically correct. The two types of utilitarianism are rule utilitarianism and act utilitarianism. Act utilitarianism is founded on the ability to predict the consequences of an action. Someone adhering to act utilitarianism will make the choice that yields the greatest benefit to the most people, regardless of personal feeling or social constraints. Rule utilitarianism takes into account the law and is concerned with fairness. A rule utilitarianist seeks to benefit the most people but through the fairest and most just means available. Rule utilitarianism values justice and doing good at the same time.

Casuist ethical theory compares a current ethical dilemma with examples of similar ethical dilemmas and their outcomes. This allows one to determine the severity of the situation and to create the best possible solution according to others' experiences.

PTS: 1 REF: 76 OBJ: 03-2
TOP: AACSB Communication | AACSB Ethics | TB&E Model Strategy

4. Explain what is meant by the statement, "Moral relativists believe in time-and-place ethics."

ANS:

According to time-and-place ethics, the proper resolution to ethical dilemmas is based upon weighing the competing factors at the moment and then making a determination to take the lesser of the evils as the resolution. Moral relativists do not believe in absolute rule. Their beliefs center on the pressures of the moment and whether the pressures justify the action taken.

PTS: 1 REF: 76 OBJ: 03-2
TOP: AACSB Communication | AACSB Ethics | TB&E Model Strategy

5. List and describe the three levels of ethical development.

ANS:

- (1) Preconventional morality, the most basic level, is childlike. It is calculating, self-centered, and even selfish, based on what will be immediately punished or rewarded.
- (2) Conventional morality moves from an egocentric viewpoint toward the expectations of society. Loyalty and obedience to the organization (or society) becomes paramount.
- (3) Postconventional morality represents the morality of a mature adult. At this level, people are less concerned about how others might see them and more concerned about how they see and judge themselves over the long run.

PTS: 1 REF: 79 OBJ: 03-3
TOP: AACSB Communication | AACSB Ethics | TB&E Model Strategy

6. A recent study of marketing professionals found their ethical judgments were influenced by several factors. List four of these factors. How do these factors contribute to the ethical environment of a marketing organization?

ANS:

Ethical judgments were influenced by several factors, and students can list any four:

1. The extent of ethical problems within the organization
The healthier the ethical environment, the greater the likelihood that marketers will take a strong stand against questionable practices.
2. Top-management actions on ethics
Top management can have a profound influence on the ethical behavior of marketing professionals by performing actions that encourage ethical behavior or discourage unethical behavior. Setting an example communicates an ethical philosophy.
3. Potential magnitude of the consequences
The greater the harm, the more likely marketers will recognize that the action is unethical.
4. Social consensus
The greater the degree of agreement among other marketers that an action is harmful, the more likely that marketers will recognize it as unethical.
5. Probability of harmful outcomes
Higher probabilities of harmful outcomes mean that marketers are more likely to realize that the actions are unethical.
6. Length of time between the decision and the onset of consequences
The shorter the time frame between the action and the onset of negative consequence, the more likely the marketer is to realize it was unethical.
7. Number of people to be affected
The more people affected by a negative outcome, the more likely that marketers will recognize the decision as unethical.

PTS: 1 REF: 79-80 OBJ: 03-3
TOP: AACSB Communication | AACSB Ethics | TB&E Model Strategy

7. List three ways an organization will benefit from the development and use of a code of ethics.

ANS:

The text provides four advantages that result from the creation and use of ethical standards, and students can list any three:

- (1) The guidelines help employees identify what their organization recognizes as acceptable business practices.
- (2) A code of ethics can be an effective internal control on behavior, which is more desirable than external controls like government regulation.

(3) A written code helps employees avoid confusion when determining whether their decisions are ethical.

(4) The process of formulating the code of ethics facilitates discussion among employees about what is right and wrong and ultimately leads to better decisions.

PTS: 1 REF: 80 OBJ: 03-3
TOP: AACSB Communication | AACSB Ethics | TB&E Model Strategy

8. You are an ethics consultant, and a group of managers has asked you for some guidelines to determine the ethicality of a decision. You tell the managers that one cannot guarantee the rightness of a decision, but a checklist can improve the chances of a decision being ethical. What are six questions you would tell the managers to put on this checklist?

ANS:

Students' answers may vary. Here are questions found in the text in Exhibit 3.4.

Does my decision treat me or my company as an exception to a common practice or convention?

Do I think I have the authority to break a rule?

Would I offend customers by telling them about my decision?

Would I offend qualified job applicants by telling them about my decision?

Have I made this decision without input from others, so important issues might be overlooked?

Does my decision benefit one person or group but hurt or not benefit other individuals or groups?

Will my decision create conflict between people or groups in the company?

Will I have to pull rank (use coercion) to enact my decision?

Would I prefer to avoid the consequences of this decision?

Did I avoid truthfully answering any of the above questions by telling myself that I could get away with it?

PTS: 1 REF: 81 OBJ: 03-3
TOP: AACSB Communication | AACSB Ethics | TB&E Model Strategy

9. The newest theory in social responsibility is called sustainability. Explain what this means.

ANS:

Sustainability refers to the idea that socially responsible companies will outperform their peers by focusing on the world's social problems and viewing them as opportunities to build profits and help the world at the same time. It is also the notion that companies cannot thrive for long (i.e., lack sustainability) in a world where billions of people are suffering and are desperately poor. Thus, it is in business's interest to find ways to attack society's ills.

PTS: 1 REF: 86-87 OBJ: 03-4
TOP: AACSB Communication | AACSB Ethics | TB&E Model Strategy

10. For every home built by Habitat for Humanity, Whirlpool Corporation has given and continues to give free kitchen appliances to the deserving family. At first Whirlpool gave the appliances with no promotion, then Whirlpool began talking about its philanthropy in its advertising campaigns. Is this unethical behavior according to the pyramid of social responsibility?

ANS:

Students' answers to this question may vary, but the better students will understand that economic performance is the foundation of the pyramid. If Whirlpool's advertising of its donations increases profit, then it is not wrong. The company has not abandoned its efforts to improve the quality of life.

PTS: 1 REF: 87 OBJ: 03-4

TOP: AACSB Communication | AACSB Ethics | TB&E Model Promotion

11. Describe the pyramid of corporate social responsibility and include a description of its components.

ANS:

The pyramid of corporate social responsibility portrays four kinds of responsibility: economic, legal, ethical, and philanthropic. Economic performance is the foundation for the structure, because if the company does not make a profit, then the other three responsibilities are moot. While maintaining a profit, business is expected to obey the law, do what is ethically right, and be a good corporate citizen.

- 1 Philanthropic responsibilities are to be a good corporate citizen, contribute resources to the community, and improve the quality of life.
- 2 Ethical responsibilities are to be ethical; to do what is right, just, and fair; and to avoid harm.
- 3 Legal responsibilities are to obey the law, which is society's codification of right and wrong, and play by the rules of the game.
- 4 Economic responsibilities are to be profitable, because profit is the foundation on which all other responsibilities rest.

PTS: 1 REF: 87-88 OBJ: 03-4

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12. How do supporters of corporate social responsibility respond to its critics?

ANS:

The most basic argument for social responsibility is that it is simply the right thing to do. Since some societal problems have been caused by business, it becomes the responsibility of business to right these wrongs. A more pragmatic reason for acting socially responsible is that if business isn't responsible, then governments will create new regulations and possibly levy fines against corporations. A final argument for social responsibility is that it can be a profitable undertaking.

PTS: 1 REF: 88-89 OBJ: 03-5

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13. Distinguish between cause-related marketing and philanthropy and give an example of each. What are some concerns consumers may have regarding cause-related marketing?

ANS:

Cause-related marketing is the cooperative efforts between a “for-profit” firm and a “nonprofit organization” for mutual benefit. Philanthropy generally involves a specific donation that is tax deductible while cause marketing is a marketing relationship not based on a straight donation. An example of cause-related marketing is a business donating a portion of a customer’s purchase price to a charitable cause, whereas an example of philanthropy would be the business merely donates to a charitable cause without tying it to consumers’ purchases.

Concerns regarding cause-related marketing include:

1. Is this company committed?
2. How is the program structured?
3. Who does the program benefit?
4. How will the organization that benefits use my money?
5. Is the program meaningful to me?

PTS: 1 REF: 94-96 OBJ: 03-6

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