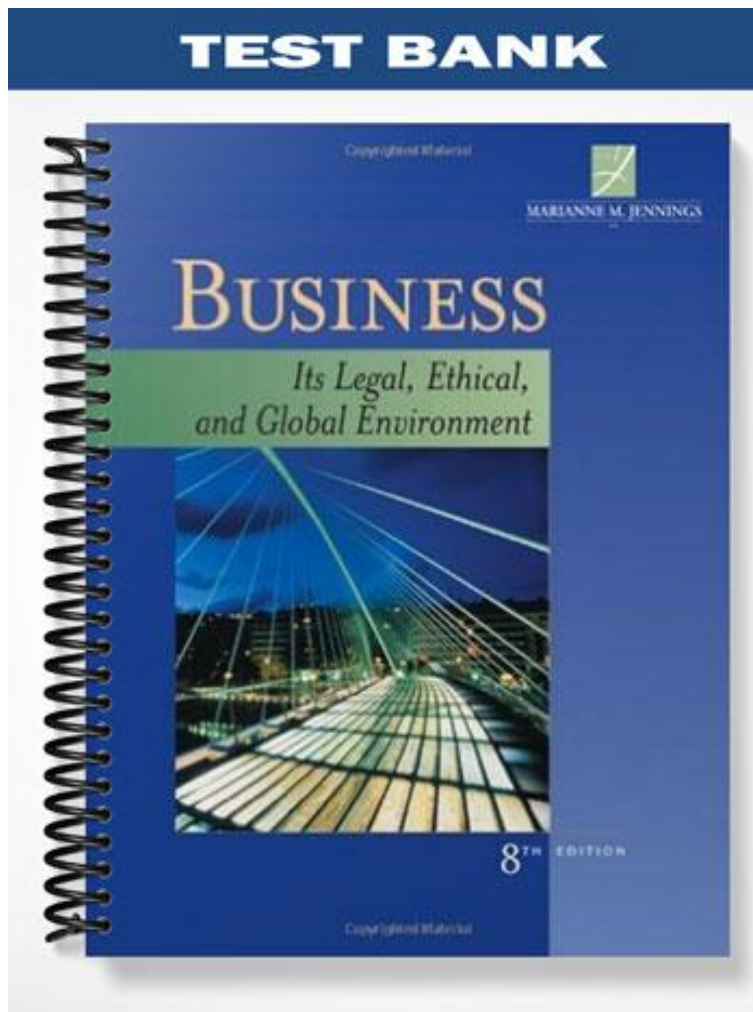


TEST BANK



CHAPTER 2—BUSINESS ETHICS AND SOCIAL RESPONSIBILITY

TRUE/FALSE

1. Business ethics provides a guarantee of profitability.
ANS: F NAT: AACSB: Ethics TOP: business ethics
2. Unethical behavior is not necessarily illegal behavior.
ANS: T NAT: AACSB: Ethics TOP: business ethics
3. A lack of business ethics can result in a lack of business goodwill.
ANS: T NAT: AACSB: Ethics TOP: business ethics
4. Business ethics is the application of standards for moral reasoning to business dilemmas.
ANS: T NAT: AACSB: Ethics TOP: moral standards
5. Situational ethics is also known as moral relativism.
ANS: T NAT: AACSB: Ethics TOP: moral standards
6. Natural law and positive law are one and the same theories of moral standards.
ANS: F NAT: AACSB: Ethics TOP: moral standards
7. Milton Friedman's standard for business social responsibility is one that requires a company to do all that it can for its community.
ANS: F NAT: AACSB: Ethics TOP: Friedman
8. The inherence school is one that follows the standard of society's interest coming first.
ANS: F NAT: AACSB: Ethics TOP: inherence
9. The enlightened self-interest school manager serves only the shareholder.
ANS: F NAT: AACSB: Ethics TOP: self-interest
10. Invisible hand managers do not become involved in social issues.
ANS: T NAT: AACSB: Ethics TOP: invisible hand
11. The social-responsibility school holds that businesses profit by being responsive to society.
ANS: T NAT: AACSB: Ethics TOP: social responsibility
12. Business self-regulation has been effective in solving social problems.
ANS: F NAT: AACSB: Ethics TOP: self-regulation

13. Giving a false impression, although not actually an untruth, is still an ethical violation.
ANS: T NAT: AACSB: Ethics TOP: ethical dilemmas
14. A code of ethics is an individual firm's behavior standard for employees.
ANS: T NAT: AACSB: Ethics TOP: ethics code
15. Most businesses today do not have a code of ethics.
ANS: F NAT: AACSB: Ethics TOP: ethics code
16. Condoning unethical behavior is an ethical breach.
ANS: T NAT: AACSB: Ethics TOP: ethical dilemmas
17. Personal choices and lifestyles have no impact on one's business ethics.
ANS: F NAT: AACSB: Ethics TOP: ethical dilemmas
18. The "front page of the newspaper test" is an application of whether conduct gives the appearance of impropriety.
ANS: T NAT: AACSB: Ethics TOP: ethical tests
19. The first question of the Blanchard/Peale model for resolving ethical dilemmas is whether the conduct is legal.
ANS: T NAT: AACSB: Ethics TOP: ethical tests
20. Whether everyone else does it is one method for evaluating the ethics of a particular course of action.
ANS: F NAT: AACSB: Ethics TOP: ethical tests
21. "I was just following orders," is a defense in law and a test for ethical behavior.
ANS: F NAT: AACSB: Ethics TOP: ethical tests
22. Sexual harassment is a form of interpersonal as well as organizational abuse.
ANS: T NAT: AACSB: Ethics TOP: ethical tests
23. A relativist asks why someone is engaged in unethical or illegal conduct before determining whether the conduct is right or wrong.
ANS: T NAT: AACSB: Ethics TOP: ethical tests
24. "That's the way it has always been done," is a phrase that often signals ethical difficulties.
ANS: T NAT: AACSB: Ethics TOP: ethical tests
25. The first question of the *Wall Street Journal* model is whether the conduct complies with the law.

- ANS: T NAT: AACSB: Ethics TOP: ethical tests
26. In the *Parable of the Sadhu*, the hikers are certain the religious pilgrim survived.
- ANS: F NAT: AACSB: Ethics TOP: Sadhu
27. In the *Parable of the Sadhu*, the hikers' climb is successful.
- ANS: T NAT: AACSB: Ethics TOP: Sadhu
28. Ethics can provide a strategic advantage for companies.
- ANS: T NAT: AACSB: Ethics TOP: business ethics
29. The *Parable of the Sadhu* emphasizes the importance of focusing on survival rather than others.
- ANS: F NAT: AACSB: Ethics TOP: Sadhu
30. Rationalization is an effective means of analysis for ethical issues.
- ANS: F NAT: AACSB: Ethics TOP: ethical dilemmas
31. An ombudsperson and/or ethics hotline are both critical to an ethical culture in a company.
- ANS: T NAT: AACSB: Ethics TOP: ethical environment
32. The least corrupt countries have the most stable economies.
- ANS: F NAT: AACSB: Ethics TOP: international ethics
33. "Everybody else does it" is a valid test for determining whether conduct is ethical.
- ANS: F NAT: AACSB: Ethics TOP: ethical dilemmas
34. Warren Buffett follows the Front-Page-of-the-Newspaper test as a guide for his businesses.
- ANS: T NAT: AACSB: Ethics TOP: ethical dilemmas
35. Compliance with the law meets all ethical standards.
- ANS: F NAT: AACSB: Ethics TOP: ethical tests
36. The level of cheating in high schools and colleges is declining.
- ANS: F NAT: AACSB: Ethics TOP: ethical environment
37. Sarbanes-Oxley is the most extensive regulation of companies since the 1933 and 1934 Securities laws.
- ANS: T NAT: AACSB: Ethics TOP: Sarbanes-Oxley
38. An anonymous reporting system is a requirement for companies under Sarbanes-Oxley.

- ANS: T NAT: AACSB: Ethics TOP: Sarbanes-Oxley
39. Having a code of ethics does not reduce a company's sentence under the federal sentencing guidelines.
- ANS: F NAT: AACSB: Ethics TOP: ethical environment
40. A company that self-reports a legal violation risks a higher penalty.
- ANS: F NAT: AACSB: Ethics TOP: ethical environment
41. Training employees in ethics is a factor that reduces a company's sentence under the federal sentencing guidelines.
- ANS: T NAT: AACSB: Ethics TOP: ethical environment
42. The either/or conundrum is an example of moral relativism.
- ANS: T NAT: AACSB: Ethics TOP: ethical environment
43. Pressure contributes to the use of the either/or test for resolving ethical dilemmas.
- ANS: T NAT: AACSB: Ethics TOP: ethical environment
44. The corruption index shows the most corruption in countries with thriving economies.
- ANS: F NAT: AACSB: Ethics TOP: international ethics
45. Trust is not critical to investment or economic success.
- ANS: F NAT: AACSB: Ethics TOP: international ethics
46. Ethics consists of the unwritten rules we apply in both business and personal lives.
- ANS: T NAT: AACSB: Ethics TOP: definition of ethics
47. "When in Rome, do as the Romans do," is an example of moral relativism.
- ANS: T NAT: AACSB: Ethics TOP: ethical theories
48. Conflicts of interest can result in the use of *quid pro quo*.
- ANS: T NAT: AACSB: Ethics TOP: ethical dilemmas
49. Downloading music using peer-to-peer file sharing is not an ethical breach.
- ANS: F NAT: AACSB: Ethics TOP: ethical dilemmas
50. "It's a gray area," if it applies, means that the conduct you are evaluating is ethical, so long as you stay in the gray area.
- ANS: F NAT: AACSB: Ethics TOP: rationalization

51. Rationalization is one form of ethical analysis.
ANS: F NAT: AACSB: Ethics TOP: ethical tests
52. The cost of a climb in the Himalayas is a point of pressure in the life and death ethical dilemmas climbers face.
ANS: T NAT: AACSB: Ethics TOP: ethical dilemmas
53. The “Tony Bennett Factor” refers to the importance of adhering to values as a key to long-term success.
ANS: T NAT: AACSB: Ethics TOP: ethical theories
54. The regulatory cycle provides an opportunity for self-regulation during the latency stage.
ANS: T NAT: AACSB: Ethics TOP: ethical strategy
55. Once a legal loophole has been used to the advantage of business and the disadvantage of a customer, the number of options for self-regulation declines.
ANS: T NAT: AACSB: Ethics TOP: ethical strategy
56. Post-SOX, most ethics officers named have been lawyers.
ANS: T NAT: AACSB: Ethics TOP: ethical culture
57. To obtain the protections and benefits of the sentencing guidelines, companies must have a code of ethics.
ANS: T NAT: AACSB: Ethics TOP: ethical culture
58. To obtain the protections and benefits of the sentencing guidelines, companies must have some form of anonymous reporting.
ANS: T NAT: AACSB: Ethics TOP: ethical culture
59. Ethics are key to the success of economic systems.
ANS: T NAT: AACSB: Ethics TOP: international ethics
60. Corruption impedes economic development.
ANS: T NAT: AACSB: Ethics TOP: international ethics

MULTIPLE CHOICE

1. The statement, "What's good for GM is good for the country," is an example of the thoughts of a manager from the:
 - a. inherence school.
 - b. enlightened self-interest school.
 - c. social responsibility school.
 - d. invisible hand school.

ANS: A

NAT: AACSB: Ethics

TOP: social responsibility

2. A stakeholder is anyone:
- but a shareholder.
 - who has an interest in a business.
 - but a firm's employees.
 - except the community where a firm is located.

ANS: B

NAT: AACSB: Ethics

TOP: stakeholders

3. Which of the following statements is true about an ethical business?
- It will always be profitable.
 - It will always satisfy all stakeholders.
 - It will always survive over the long run.
 - It will avoid the consequences of unethical behavior.

ANS: D

NAT: AACSB: Ethics

TOP: business ethics

4. Which of the following is not always a result of unethical behavior?
- loss of trust
 - loss of goodwill
 - loss of profits
 - strained relations with regulators

ANS: C

NAT: AACSB: Ethics

TOP: business ethics

5. A manager at a chemical weapons plant discovered that toxic by-products from chemical manufacturing at the plant are simply put in barrels and stacked near the boundary lines of the plant property. Children in the homes near these boundaries have an unusually high rate of kidney disease. The manager does not want to disclose the barrels' contents because he will lose his job and the town will lose its major employer. Which of the following ethical tests would support the manager's decision?
- Wall Street Journal* model
 - ethical relativism
 - Blanchard/Peale model
 - "front page of the newspaper test"

ANS: B

NAT: AACSB: Ethics

TOP: ethical tests

6. Which of the following models has a question that requires analysis of the effect of a decision on stakeholders?
- Blanchard/Peale
 - Wall Street Journal* model
 - Does the conduct comply with the law?
 - all of the above

ANS: B

NAT: AACSB: Ethics

TOP: ethical tests

7. Milton Friedman's philosophy on corporate behavior is:
- a business serves its shareholders best by serving the community.
 - a business serves its shareholders best by serving society at large.
 - a business serves its shareholders best by serving regulatory interests.
 - a business serves its shareholders best by serving shareholders.

ANS: D

NAT: AACSB: Ethics

TOP: Friedman

8. An inheritance school company would become involved in a residential property tax for schools only if:
- the community would benefit from the tax.
 - government leaders are in favor of the tax.
 - the issue would affect the company's performance.
 - community leaders favored it.

ANS: C

NAT: AACSB: Ethics

TOP: social responsibility

9. The invisible hand school and the inheritance school:
- both serve society primarily.
 - both refuse involvement in social issues.
 - are proactive in legislation for social issues.
 - believe long-term success comes from social responsibility.

ANS: B

NAT: AACSB: Ethics

TOP: social responsibility

10. Which of the following is not an ethical breach?
- taking things that do not belong to you
 - giving or allowing false impressions
 - perpetrating interpersonal abuse
 - All of the above are ethical breaches.

ANS: D

NAT: AACSB: Ethics

TOP: ethical dilemmas

11. Which of the following is not a consequence of poor ethical choices by company?
- loss of reputation
 - loss of earning power
 - additional regulation
 - All of the above are consequences of poor ethical choices.

ANS: D

NAT: AACSB: Ethics

TOP: ethical dilemmas

12. A parents' group and the National Association of Teachers is concerned about the lyrics on the albums of some rock music groups and has expressed the concern publicly. Capitol Records adopted a voluntary labeling system that provides warning labels on albums that contain explicit lyrics about sex, drugs, or satanic worship. Capitol's action is an example of a:
- nonmandated ethical response.
 - waste of shareholder dollars according to Milton Friedman.
 - violation of shareholder rights.
 - none of the above

ANS: A

NAT: AACSB: Ethics

TOP: social responsibility

13. Which of the following is not a question for the Blanchard/Peale test for ethical behavior?
- Is it legal?
 - Does it follow industry code?
 - Is it balanced?
 - How does it make me feel?

ANS: B

NAT: AACSB: Ethics

TOP: ethical issue

14. Which of the following actions would be permitted under the Friedman philosophy of business involvement in social issues?
- a corporate contribution to a shelter program for runaway teenagers
 - a corporate contribution to a pro-choice organization

- c. a corporate contribution to Mother Teresa's worldwide organization
- d. a corporate contribution to a mass transit system that will serve the offices of the company throughout the city

ANS: D

NAT: AACSB: Ethics

TOP: Friedman

15. Under which of the schools is the corporation best served by serving only the shareholders?
- a. inherence school
 - b. enlightened self-interest school
 - c. invisible hand school
 - d. social responsibility school

ANS: A

NAT: AACSB: Ethics

TOP: social responsibility

16. Which school most parallels the Friedman model for social responsibility?
- a. inherence school
 - b. enlightened self-interest school
 - c. invisible hand school
 - d. social responsibility school

ANS: A

NAT: AACSB: Ethics

TOP: social responsibility

17. An employer instituted a wellness program for all employees. The wellness program includes an exercise facility and several pay incentives for losing weight, quitting smoking, or beginning an exercise program. The program is not required under any state or national laws. Which of the following schools of social responsibility applies to this employer?
- a. inherence school
 - b. enlightened self-interest school
 - c. invisible hand school
 - d. social responsibility school

ANS: B

NAT: AACSB: Ethics

TOP: social responsibility

18. A law firm in the Phoenix area provides "sick care" for employees' children. Sick care can be used when the child is too ill to go to school or its regular care facility. The law firm manager claims the program has cut down on sick days taken by employees to care for sick children. The program is an illustration of which type of social responsibility school?
- a. inherence school
 - b. enlightened self-interest school
 - c. invisible hand school
 - d. social responsibility school

ANS: B

NAT: AACSB: Ethics

TOP: social responsibility

19. Which of the following is not an indication of a company environment ripe for unethical behavior?
- a. intense competition threatening survival
 - b. employees with few or no personal values
 - c. employees who are independent
 - d. compensation incentive system tied only to sales

ANS: C

NAT: AACSB: Ethics

TOP: ethical environment

20. The policy on travel reimbursement at Public Service Company is that receipts for meals under \$25.00 are not required. Internal auditors at Public Service have recently discovered that 80 percent of all meal submissions are in a range from \$12.50 to \$12.99. When one manager is questioned about his submissions and those of his employees he responds, "So, they make a little bit on meals - it helps their miserable salaries." The manager's evaluation:
- demonstrates an ethical commitment to his employees.
 - is ethical since no one is really harmed.
 - demonstrates a lapse in the company's ethical culture.
 - is an example of Christian consequentialism.

ANS: C

NAT: AACSB: Ethics

TOP: ethical environment

21. Which of the following is not a benefit of using ethics as a business strategy?
- firm's profits increase
 - affords opportunity for planning
 - creates goodwill in the community
 - All of the above are benefits.

ANS: A

NAT: AACSB: Ethics

TOP: business ethics

22. The "front page of the newspaper test":
- was developed by Laura Nash.
 - is the same as the *Wall Street Journal* test.
 - was developed by Blanchard/Peale.
 - uses the perspective of an objective reporter.

ANS: D

NAT: AACSB: Ethics

TOP: ethical models

23. In the *Parable of the Sadhu*:
- the lesson of personal values vs. organizational or group values is drawn.
 - the lesson that the rules of business prevail over personal values is drawn.
 - the lesson of survival of the fittest is given.
 - the lesson of "every man for himself" is critical for business survival.

ANS: A

NAT: AACSB: Ethics

TOP: Sadhu

24. In international business:
- there are no ethical rules.
 - corruption facilitates commerce.
 - trust and honesty are required for investment and economic growth.
 - a company must operate by a set of rules different from its U.S. rules.

ANS: C

NAT: AACSB: Ethics

TOP: international ethics

25. Which of the following is not an element of the Nash test?
- Will I feel as good over the long term about this decision?
 - Is it legal?
 - How did I get into this situation in the first place?
 - Could I discuss this decision with the affected parties?

ANS: B

NAT: AACSB: Ethics

TOP: ethical models

26. Which of the following is not important for capitalism to function?
- consumer confidence
 - absence of corruption
 - grease payments

- d. risk takers comfortable with trustworthiness of government officials
- e. All of the above are necessary for capitalism.

ANS: C

NAT: AACSB: Ethics

TOP: role of ethics

27. Milton Friedman's view of the social responsibility of business is best described as:
- a. the social responsibility of a business is to make money within the rules of the game.
 - b. the social responsibility of a business should be dictated by its managers.
 - c. the social responsibility of a business requires it to be environmentally clean.
 - d. businesses have no social responsibility.
 - e. none of the above

ANS: A

NAT: AACSB: Ethics

TOP: Friedman

28. Which of the two following groupings of ethical thought would you describe as opposites?
- a. natural law and moral relativism
 - b. moral relativism and situational ethics
 - c. natural law and religious beliefs
 - d. moral absolutes and natural law
 - e. none of the above

ANS: A

NAT: AACSB: Ethics

TOP: ethical views

29. Which of the following ethical models incorporates conscience into the decision-making process?
- a. Front-page-of-the-newspaper test
 - b. *Wall Street Journal* test
 - c. Blanchard and Peale model
 - d. Positive law
 - e. none of the above

ANS: C

NAT: AACSB: Ethics

TOP: ethical tests

30. Enron Corporation filed for bankruptcy following a number of revelations about its accounting procedures. Enron used a complex structure of corporations and off-the-books debt to mask its true financial picture from the markets. When asked about the propriety of Enron's reporting methods, many analysts have responded, "They simply did what most corporations do." Their comments:
- a. reflect analysis under the Nash model.
 - b. reflect analysis under the Blanchard/Peale model.
 - c. reflect rationalization.
 - d. reflect *Wall Street Journal* analysis.
 - e. none of the above

ANS: C

NAT: AACSB: Ethics

TOP: ethical tests

31. Enron's failure to disclose its off-the-book debts was legal. Which of the following ethical categories do you think apply to that type of financial reporting?
- a. balancing ethical dilemmas
 - b. giving or allowing a false impression
 - c. taking unfair advantage
 - d. both b and c
 - e. none of the above

ANS: D

NAT: AACSB: Ethics

TOP: categories of ethics

32. Which of the following statements best describes the ethical position of Enron executives?
- a. If it's legal, it's ethical.

- b. If we are under pressure to keep the stock price up, we do what it takes.
- c. Everybody does it.
- d. both a and b

ANS: D

NAT: AACSB: Ethics

TOP: ethical views

33. Which of the following is not a requirement of Sarbanes-Oxley?
- a. code of ethics
 - b. ethics hotline (anonymous)
 - c. ethics officer
 - d. both a and c

ANS: D

NAT: AACSB: Ethics

TOP: Sarbanes-Oxley

34. Sarbanes-Oxley is:
- a. a philosophical school that serves society first
 - b. federal legislation that imposed ethics requirements on corporations
 - c. an international accounting treaty
 - d. the former CEO of World.Com

ANS: B

NAT: AACSB: Ethics

TOP: Sarbanes-Oxley

35. Dennis Kozlowski, the former CEO of Tyco, who was famous for this lavish party and decorating expenses, said that he asked that all of his pay packages, loans, and expenditures be authorized by the board and company policy.
- a. The authorizations make all the expenses and loans ethical.
 - b. Mr. Kozlowski could have taken unfair advantage of the board and his position.
 - c. Being able to do something procedurally correct does not mean it is ethical.
 - d. both b and c

ANS: D

NAT: AACSB: Ethics

TOP: ethical conduct

36. The Corruptions Perceptions Index compiled by Transparency International:
- a. shows that all countries' governments are corrupt.
 - b. shows a correlation between corruption and the lack of economic development.
 - c. shows corruption is acceptable in most countries.
 - d. none of the above

ANS: B

NAT: AACSB: Ethics

TOP: international ethics

37. Jane Eyring works for PharmaMeds, Inc. Jane is a physician-scientist who is responsible for running the pilot tests on PharmaMed's new oral spray medication for individuals with adult onset diabetes. Jane has discovered that if those in the test group do not spray the medicine correctly or if they spray for too short of a time, the medicine is not effective, or as effective, and insulin shock has resulted in a few of the patients. Jane talks with one of her colleagues who responds, "Look, there's no need to stop the testing or the drug's release. Just tell them in the test and in the brochures that will be with the spray, 'Spray correctly! If you do not, you may not receive your necessary dose.'" Jane is not sure anyone can be 100% accurate in spraying all the time. Jane's ethical dilemma is:
- a. a conflict of interest.
 - b. taking things that don't belong to you.
 - c. giving or allowing false impressions.
 - d. all of the above

ANS: C

NAT: AACSB: Ethics

TOP: ethical dilemmas

38. Jane Eyring works for PharmaMeds, Inc. Jane is a physician-scientist who is responsible for running the pilot tests on PharmaMed's new oral spray medication for individuals with adult onset diabetes. Jane has discovered that if those in the test group do not spray the medicine correctly or if they spray for too short of a time, the medicine is not effective, or as effective, and insulin shock has resulted in a few of the patients. Jane talks with one of her colleagues who responds, "Look, there's no need to stop the testing or the drug's release. Just tell them in the test and in the brochures that will be with the spray, 'Spray correctly! If you do not, you may not receive your necessary dose.'" Jane is not sure anyone can be 100% accurate in spraying all the time. What risks does the company run if the spray doesn't work for the patients?
- finances and penalties
 - litigation by patients who become ill
 - damage to its reputation
 - all of the above

ANS: D

NAT: AACSB: Ethics

TOP: role of ethics

39. Jane Eyring works for PharmaMeds, Inc. Jane is a physician-scientist who is responsible for running the pilot tests on PharmaMed's new oral spray medication for individuals with adult onset diabetes. Jane has discovered that if those in the test group do not spray the medicine correctly or if they spray for too short of a time, the medicine is not effective, or as effective, and insulin shock has resulted in a few of the patients. Jane talks with one of her colleagues who responds, "Look, there's no need to stop the testing or the drug's release. Just tell them in the test and in the brochures that will be with the spray, 'Spray correctly! If you do not, you may not receive your necessary dose.'" Jane is not sure anyone can be 100% accurate in spraying all the time. Whom is affected by Jane's decision, regardless of what decision she makes?
- shareholders
 - customers
 - Jane and her reputation
 - all of the above

ANS: D

NAT: AACSB: Ethics

TOP: role of business in society

40. Why does the late Dr. Milton Friedman feel that managers should not involve their companies in social issues?
- they are agents of the shareholders and should act in their best interests
 - companies lose money when they are socially responsible
 - economic studies show businesses that are socially responsible make less money
 - all of the above

ANS: A

NAT: AACSB: Ethics

TOP: role of business in society

41. Colleges and universities are given complimentary trips, staff assistance, marketing stipends and other in-kind materials by companies that provide study-abroad programs for students in exchange for the colleges and universities marketing the programs exclusively to their student bodies. Students are not aware of the benefits the travel-abroad companies provide to their colleges and universities. Which category of ethical dilemma applies here?
- conflict of interest
 - hiding information
 - taking unfair advantage
 - all of the above

ANS: D

NAT: AACSB: Ethics

TOP: ethical dilemmas

42. Tim Donaghy was a referee for the NBA. Mr. Donaghy began betting in 2003 on NBA games. He also provided tips to other gamblers on who would win games in which he was serving as a referee. Mr. Donaghy's actions:
- were illegal under federal law, but not an ethical breach.
 - were a conflict of interest.
 - were not a breach of ethics because he used the money he made for a summer camp for underprivileged children.
 - none of the above

ANS: D

NAT: AACSB: Ethics

TOP: ethical breaches

43. Michael Chertoff is the head of the Department of Homeland Security. Mr. Chertoff pays 25 cents to the federal government each time a personal fax comes to him at his federal office. Mr. Chertoff's actions:
- are meant to establish an effective tone at the top.
 - are unnecessary because there is no ethical breach when you have no control over who sends faxes.
 - are inconsequential for the agency.
 - none of the above

ANS: A

NAT: AACSB: Ethics

TOP: ethical culture

44. "If you think what we're doing now is bad, you should have seen 10 years ago at this company..." is an example of:
- ethical analysis.
 - rationalization.
 - comparative or relative ethics.
 - both a and c

ANS: B

NAT: AACSB: Ethics

TOP: rationalization

ESSAY

- Discuss the following advertising issues and determine whether the ads are ethical.
 - Mrs. Butterworth's syrup has a label that states there is "Grade A Butter" in the syrup. The fine print on the label describes "0.4 percent butter" in the "syrup product."
 - Carnation Coffeemate Lite is advertised as having "50% LESS FAT." The claim is true but there is less than 0.5 grams of fat eliminated from Lite as compared to regular Coffeemate. It is important to understand that the average American consumes 100 grams of fat per day.

ANS:

- The students should address the issues of whether the ad is legal (it is) and then move on to whether it is balanced and how it would make them feel to have a product using these descriptions. The example is similar to the manner in which some grocers display strawberries in the store: Only the ones on top are good, and the description or appearance may mislead the customer. The student should also discuss the fallout from such claims when consumers discover the discrepancy: loss of goodwill and public relations problems with resultant effect on sales.
- Students should take the same approach as in answer (a) because the advantages of trying to use a health concern to sell products when there is little the product does to help can create a feeling of opportunism on the part of the company. In this case, the ad seems worse than the syrup because there are health consequences associated with this advertising. Presently the FDA and FTC are

examining the issue of product advertising with respect to health claims and the use of the words lite, light, fat-free, and cholesterol-free.

NAT: AACSB: Ethics

TOP: ethical dilemmas

2. Harvard University recently sold most of its investments in tobacco companies. The investments were quite profitable for the Harvard endowment. Derek Bok, who was Harvard's president at that time, said the divestiture was prompted by recognition of the dangers of smoking and concern over aggressive marketing tactics to promote tobacco products to teenagers and in countries where the dangers of smoking are not widely known. Bok stated the university was "motivated by a desire not to be associated as a shareholder with companies engaged in significant sales of products that create a substantial and unjustified risk of harm to other human beings." Harvard owned \$58 million in tobacco company shares. An investment analyst noted that Harvard's action will have a "strong ripple effect across the country." Evaluate the actions of Harvard and evaluate the conduct of the tobacco companies to this point using both the Blanchard/Peale model and the moral reasoning process.

ANS:

Neither Harvard nor the tobacco companies are doing anything illegal. Cigarettes are still lawful products in the United States and around the world, so the product is not illegal. Harvard's actions are a reflection of how the investment makes them feel because of the medical harm to individuals and the aggressive marketing techniques. Under the moral reasoning process, Harvard uses the moral standard that they do not want to be associated with any activity that causes significant harm to other human beings. Data indicate that smoking produces such harm. Without divestiture, Harvard would be unethical since there is harm to individuals. The tobacco firms could apply the same reasoning process but have not. Their data indicate the harm is not clear and they have not reached the Harvard conclusion. Furthermore, there are other moral standards such as the freedom to choose on the part of the consumer that creates conflicts for the tobacco companies' moral reasoning process. Their attitude under Blanchard/Peale appears to stop after the question of whether the activity is legal.

NAT: AACSB: Ethics | AACSB: Reflective Thinking

TOP: ethical theories

3. The breakfast cereal aisle of the grocery store is a delightful place with boxes decorated with Barbie, Ninja Turtles, and Batman. The boxes are filled with toys, special offers, and plenty of sugar in the cereal. Several parent groups are concerned about the marketing techniques, the sugar levels, and the diet of American children. One group proposed regulation on the location of the boxes in the aisles (they should be placed in a way that eliminates the snazzy boxes from the child's view). Discuss the ethics of the cereal manufacturers in their marketing approaches. What action would a firm in the social responsibility school take?

ANS:

Nothing illegal is being done, but the firms are taking advantage of childhood fantasies and cartoon images to sell cereals that may not be nutritionally sound. The children and their parents are stakeholders, and a socially responsible firm would take independent action or propose regulation regarding advertising constraints and cereal content and the placement of the boxes as temptations in the stores. The attitude would be that good nutrition is good for society and therefore the product should be nutritious.

NAT: AACSB: Ethics

TOP: categories of ethics

4. ABC, Inc. is the manufacturer of a line of bumper stickers and T-shirts that display the phrase "Sex, Drugs, and Rock & Roll." Evaluate the ethical posture of the firm.

ANS:

The firm is doing nothing illegal. If it is answering to its shareholders, the sales are being made and it is following the Friedman creed. However, the socially responsible firm would pause to consider the effect such a phrase would have on society and the contribution it is making by seeing that the phrase is well distributed. The firm is making a profit, but at what cost?

NAT: AACSB: Ethics

TOP: ethical culture

5. The Alabama Attorney General recently filed suit in federal court in Montgomery, Alabama, alleging that Maytag secretly reconditioned defective microwave ovens at its Magic Chef plant in Anniston, Alabama; altered their serial numbers; and sold them as new. Janis Cooper, a vice president for Maytag, says the company is reviewing its procedures at the plant and that Maytag "considers the trust of our customers very important." Regardless of whether the allegations are true, what problems will Maytag experience as a result of the incident?

ANS:

General loss of consumer trust; public relations difficulties; drop in sales; case is an excellent illustration of how even the taint of unethical behavior can be very costly to a firm.

NAT: AACSB: Ethics | AACSB: Reflective Thinking

TOP: ethical culture

6. A bar and restaurant located directly next to the edge of the campus at Arizona State University is called "The Dash Inn." The Inn is a favorite stop for students and is generally very crowded in the afternoon and evenings. When a student uses a credit card to pay his or her tab at the Dash Inn, the receipt for the student and the credit card data have recorded automatically at the top, "The Dash Inn Bookstore." Why do the receipts have this inscription at the top? What ethical problems do you see with this inscription?

ANS:

The Dash Inn is attempting to help the students disguise from spouses and families their true spending habits. No one is likely to challenge receipts from a bookstore. But it does make the Dash Inn a participant, indeed the instigator, in an ethical breach of giving or allowing false impressions.

NAT: AACSB: Ethics

TOP: ethical environment

7. Ralph Dewey is an assistant superintendent in the Maple Leaf school district. Mr. Dewey's job is to award contracts for all facilities management. Dewey awarded an asbestos removal contract to his brother's firm. Discuss the ethical issues. What models could have helped Dewey in his decision-making process?

ANS:

Ralph has a conflict of interest in awarding the contract to his brother's firm.

Tests: Newspaper Test

Could I discuss this with the superintendent?

Is it balanced?

NAT: AACSB: Ethics

TOP: ethical tests

8. Anna Woodruff is the purchasing manager for Allied Transport. One of Allied suppliers has just had a Schwinn bicycle delivered to Anna as a gift. What should she do?

ANS:

Anna has a conflict. Those she awards contracts to are offering compensation.

NAT: AACSB: Ethics

TOP: ethical dilemmas

9. Nintendo 64 sells several games for its video system for television that show acts of decapitation, murder and violence. Discuss the ethical issues in their sale.

ANS:

Students should discuss the social responsibility issues in touting violence in toys for children. They might also discuss parental roles and the impact on society.

NAT: AACSB: Ethics

TOP: social responsibility

10. During the 2002 Winter Olympics in Salt Lake City, one of the French judges on the judging panel for the pairs ice skating competition indicated that she felt pressure to vote for the Russian team, the team that was awarded the gold medal for the competition. She indicated that there would be a *quid pro quo*, that is, the Russian judge would then vote for the French team in the ice dancing competition. Following the award of the medal in the pairs competition, there was international outcry because the silver medal Canadian duo had skated flawlessly whereas the Russian team had several flaws in its performance. The International Olympic Committee (IOC) awarded a second gold medal to the Canadian team and launched an investigation and vowed to reform judging practices and rules. Discuss the ethical issues in this case and be sure to discuss why these types of deals among judges create problems.

ANS:

This is the introduction of corruption into this system - that of Olympic competition. To the extent that participants believe there is a fixed competition, they will choose to not compete or will begin to try to win using the existing system, thus introducing more corruption. When decisions are not based on merit and performance, the result is either the system collapses from no participation or corruption only increases. The same is true of economic systems, as discussed in the book.

NAT: AACSB: Ethics | AACSB: Reflective Thinking

TOP: ethical breaches

11. You are the person responsible for awarding printing contracts for your company. Your brother-in-law owns his own printing company, has a good reputation, and would like your company's business. Would you award your brother-in-law any of the contracts your company awards? Why or why not?

ANS:

Students should discuss:

- a) the conflict of interest.
- b) the perception awarding the contract to your brother-in-law would create.

NAT: AACSB: Ethics

TOP: ethical dilemmas

12. Google was asked by the Justice Department to turn over information about users who were running searches for child pornography. Google refused to turn over the information to the federal government. Discuss the ethical issues Google was grappling with in making its decision.

ANS:

The two values in conflict are Google's protection of its users' privacy – divulging information – and permitting abuse (child pornography is indeed a pernicious activity and society has an interest in protecting children from such predatory activity). Google opted to have privacy as the greater value, but the students can explore the implications of that decision. They might also explore whether Google can get out of the either/or conundrum by perhaps warning users about its cooperation with authorities on federal investigations. Computer users can then opt for a different avenue for search or take the risk of being identified.

NAT: AACSB: Ethics | AACSB: Reflective Thinking

TOP: ethical dilemmas