

TEST BANK



Management



Michael A. Hitt J. Stewart Black Lyman W. Porter

Second
Edition

CHAPTER 2: SOCIAL RESPONSIBILITY AND MANAGERIAL ETHICS

Multiple Choice Questions

1. Which of the following is NOT a potential consequence of poorly managed managerial ethics?
 - a. decline in a company's stock price
 - b. difficulty recruiting exceptional employees
 - c. increased social consensus
 - d. negative publicity

Answer: c (p. 29, moderate, integration, AACSB: Ethical Reasoning)

2. Both _____ and _____ clearly advocate the efficiency perspective on corporate social responsibility.
 - a. Adam Smith; Milton Friedman
 - b. Adam Smith; Arnold Dworkin
 - c. Arnold Dworkin; Stephen Wozniak
 - d. Milton Friedman; Emile Zola

Answer: a (p. 30, easy, recall)

3. From an efficiency perspective, when the manager of a business is _____, the self-interests of the owner are best achieved by serving the interests of society.
 - a. also the owner
 - b. also an investor
 - c. also a sales representative
 - d. also a customer service representative

Answer: a (p. 30, difficult, recall)

4. According to the efficiency perspective, corporate managers should _____.
 - a. emphasize charitable donations
 - b. maximize value for shareholders
 - c. maximize value for stakeholders
 - d. act on behalf of society as much as possible

Answer: b (p. 30, moderate, recall)

5. Which of the following is true regarding Milton Friedman's perspective?
 - a. The welfare of the community is the firm's responsibility.
 - b. Managers must act in the best interests of society and stakeholders.
 - c. Managers should maximize profits for the owners of the business.
 - d. Firms have obligations not only to shareholders but also to society.

Answer: c (p. 30, difficult, recall)

6. A software company voluntarily replaces a new program that contains a harmless but annoying “bug.” The action significantly decreases shareholders’ immediate returns, but saves customers time and effort circumventing the bug. From an efficiency perspective, the company’s action is managerially ____; from a social responsibility perspective, the company’s action is managerially ____.
- a. irresponsible; irresponsible
 - b. responsible; responsible
 - c. irresponsible; responsible
 - d. responsible; irresponsible

Answer: c (pp. 30 – 32, difficult, application)

7. Robert E. Mercer said that, “Profits are like breathing; if you can’t breathe, you can forget everything else that you’re doing because you’re not going to be around much longer.” This statement advocates the ____.
- a. contingency perspective of corporate social responsibility
 - b. efficiency perspective of corporate social responsibility
 - c. managerial perspective of corporate social responsibility
 - d. stakeholder perspective of corporate social responsibility

Answer: b (pp. 30 – 32, moderate, application)

8. Critics of the efficiency perspective are concerned because corporations may ____.
- a. not change dangerous practices until people are injured
 - b. impose indirect consequences that may not be anticipated or understood
 - c. forego safety measures because consumers may not be willing to pay for them
 - d. all of the above

Answer: d (p. 31, moderate, integration)

9. Within the context of the efficiency perspective, “externalities” involve ____.
- a. random consequences
 - b. market-place interactions
 - c. indirect or unintended consequences
 - d. indirect acts of social responsibility

Answer: c (p. 31, easy, recall)

10. According to the principle of ____, the financial liability corporations have to others is limited to the company and does not extend to its shareholders.
- a. limited liability
 - b. distributive justice
 - c. social responsibility
 - d. compensatory justice

Answer: a (p. 32, difficult, recall)

11. According to the social responsibility perspective, managers should _____.
a. maximize returns to shareholders
b. combine the concerns of shareholders and stakeholders
c. balance returns to shareholders against legitimate concerns of stakeholders
d. minimize returns to shareholders and maximize returns to stakeholders

Answer: c (p. 32, moderate, recall)

12. A key concern with the social responsibility perspective is that important terms such as _____ and _____ are hard to define.
a. externalities; facilitating payments
b. legitimate concerns; reasonable returns
c. moral rights; procedural justice
d. whistle blowing; corrupt practices

Answer: b (p. 32, difficult, integration, AACSB: Ethical Reasoning)

13. Individuals and groups that are affected by an organization's actions are called _____.
a. consumers
b. beneficiaries
c. stakeholders
d. interested parties

Answer: c (p. 32, easy, recall)

14. According to the social responsibility perspective, shareholders are _____.
a. sole owners
b. stakeholders rather than sole owners
c. the least important stakeholders
d. the most important stakeholders

Answer: b (p. 32, moderate, recall)

15. Companies classified as "anticipators" display all of the following characteristics EXCEPT _____.
a. obtaining profits
b. abiding by the law
c. reacting to pressures that could affect business results
d. anticipating harmful consequences independent of pressures and laws

Answer: c (p. 34, moderate, integration)

16. Which of the following is true concerning actions that benefit shareholders even though they harm the other stakeholders?
- a. They are managerially responsible from the efficiency perspective.
 - b. They are managerially responsible from the social responsibility perspective.
 - c. They are socially responsible from the social responsibility perspective.
 - d. They are socially irresponsible from the efficiency perspective.

Answer: a (p. 34, difficult, integration)

17. A paper mill located near the border between two small countries is known to pollute its water source, which runs into the neighboring country. In response to international pressure to apply strict clean water regulations to all paper mills, the mill in question vehemently argues that any additional regulations would bankrupt the company and hurt the industry. Which category of corporate response is this mill using to deal with pressure from the external environment?
- a. accommodators
 - b. anticipators
 - c. defenders
 - d. reactors

Answer: c (pp. 34 – 35, moderate, application)

18. Companies that are firmly committed to the stakeholder perspective are most likely to belong to the _____ category of corporate response to external pressures.
- a. accommodators
 - b. anticipators
 - c. defenders
 - d. reactors

Answer: b (pp. 34 – 35, moderate, integration)

19. When confronted by the pressures and constituencies of social responsibility, _____ make changes only when legally compelled to do so.
- a. accommodators and reactors
 - b. anticipators and reactors
 - c. defenders and accommodators
 - d. reactors and anticipators

Answer: c (pp. 34 – 35, easy, recall)

20. Which of the following is NOT a criterion considered by the strategic corporate social responsibility perspective?
- a. issues outside the company that the company has an impact on
 - b. issues outside the company that are a problem to society in general
 - c. issues inside the company that are important to its strategy and business activities
 - d. issues inside the company that do not affect its strategy and business activities

Answer: d (pp. 35 – 37, moderate, integration)

21. According to the strategic corporate social responsibility perspective, why is social outreach by Marriott to chronically unemployed workers in large cities a good idea?
- a. It helps create a good corporate image in the media.
 - b. It is a source of low-cost labor, which helps to maximize shareholder returns.
 - c. It focuses on a social area where there is a high probability of creating shared value for Marriott and the community in which it operates.
 - d. It allows Marriott to increase its profits while eliminating a minor social problem in its area of operations.

Answer: c (pp. 35 – 38, moderate, integration)

22. To shape employees' ethical behavior, managers should understand that ____.
- a. people's judgment of right and wrong differ
 - b. ethical differences are unrelated to people's upbringing
 - c. people typically employ one approach to ethical decision making
 - d. most people adhere to the reactive approach to ethical decision making

Answer: a (p. 38, easy, integration, AACSB: Ethical Reasoning)

23. Which of the following is NOT a significant reason for managers to understand different approaches to ethics?
- a. to influence ethical employee conduct
 - b. to anticipate and prepare for employees arriving at different ethical conclusions
 - c. to clearly formulate an effective method for thinking through ethical dilemmas
 - d. to prepare effective defenses against charges of unethical conduct

Answer: d (pp. 38 – 40, moderate, integration, AACSB: Ethical Reasoning)

24. According to your textbook, an ethical dilemma involves ____.
- a. the choice between two competing but arguably valid options
 - b. a case history that has been designed to help guide ethical choices
 - c. a scenario that influenced the development of a person's values
 - d. a decision that is contrary to an individual's stated beliefs and company policies

Answer: a (p. 39, easy, recall, AACSB: Ethical Reasoning)

25. According to your textbook, ethical lapses involve _____.
a. the choice between two competing but arguably valid options
b. case histories that have been designed to help guide ethical choices
c. situations that played a significant role in the development of a person's values
d. decisions that are contrary to an individual's stated beliefs and company policies

Answer: d (p. 39, easy, recall, AACSB: Ethical Reasoning)

26. In one study, salespeople from _____ did not think that seeking information from a customer on the price quotation offered by a competitor, in order to resubmit a more competitive bid, was much of an ethical issue.
a. Korea
b. Japan
c. Canada
d. Germany

Answer: a (p. 39, moderate, recall, AACSB: Ethical Reasoning)

27. Within the context of the utilitarian approach to ethical decision making, why is it difficult to determine which action would result in the "greatest good"?
a. some things are just "right" or "wrong," independent of outcomes
b. all rights are based on freedom and autonomy, not "goodness" or "badness"
c. the "goodness" or "badness" of an outcome is often subjective
d. whether an action is good or bad is superfluous to judging its effects

Answer: c (p. 40, difficult, integration, AACSB: Ethical Reasoning)

28. An executive who justifies paying a bribe because it allows his company to provide the greatest good for the greatest number of people adheres to the _____.
a. justice approach to ethical decision making
b. moral rights approach to ethical decision making
c. universal approach to ethical decision making
d. utilitarian approach to ethical decision making

Answer: d (p. 40, easy, application, AACSB: Ethical Reasoning)

29. Which of the following is NOT true regarding the utilitarian approach to ethical decision making?
a. It seeks "the greatest good."
b. People see the same outcome differently.
c. A decision maker should focus on the consequences of an action.
d. Culture and religion do not influence one's judgment of what is "good" or "bad."

Answer: d (p. 40, difficult, recall, AACSB: Ethical Reasoning)

30. What are the utilitarian, moral rights, universal, and justice approaches?
- a. means of identifying the moral intensity in an ethical controversy
 - b. methods of enforcing codes of ethical conduct
 - c. basic frameworks for making ethical decisions
 - d. different approaches to whistle blowing

Answer: c (pp. 40 – 41, easy, recall, AACSB: Ethical Reasoning)

31. According to the philosopher, Immanuel Kant, _____ form the basis of all rights.
- a. love and happiness
 - b. freedom and autonomy
 - c. fairness and equitability
 - d. individuality and rights

Answer: b (p. 41, moderate, recall, AACSB: Ethical Reasoning)

32. Even if a manager does not intend to discriminate against a particular minority group, legal action can be brought against the firm if the minority group can prove _____, or inequitable results.
- a. moral turpitude
 - b. disparate impact
 - c. compensatory justice
 - d. probability of effect

Answer: b (p. 41, moderate, application, AACSB: Ethical Reasoning)

33. According to the universal approach to ethical decision making, managers must first determine whether a course of action can apply to all people in all situations, then ask themselves whether _____.
- a. the act has moral significance in the community
 - b. costs and benefits of the act can be equitably distributed
 - c. rewards and benefits of the act can be equitably distributed
 - d. they would want the consequent rule to apply to themselves

Answer: d (p. 41, moderate, recall, AACSB: Ethical Reasoning)

34. Which aspect of the justice approach to ethical decision making is most responsible for the U.S. Civil Rights Act of 1964?
- a. compensatory justice
 - b. distributive justice
 - c. procedural justice
 - d. restorative justice

Answer: b (p. 41, moderate, application, AACSB: Ethical Reasoning)

35. Which aspect of the justice approach to ethical decision making concerns itself with the impartial administration of decision-making processes?
- a. compensatory justice
 - b. distributive justice
 - c. procedural justice
 - d. restorative justice

Answer: c (p. 41 – 42, easy, recall, AACSB: Ethical Reasoning)

36. Which aspect of the justice approach to ethical decision making is responsible for affirmative action plans and hiring?
- a. compensatory justice
 - b. distributive justice
 - c. procedural justice
 - d. restorative justice

Answer: a (p. 42, moderate, application, AACSB: Ethical Reasoning)

37. _____ is the degree to which people see issues in terms of ethical dimensions.
- a. Moral intensity
 - b. Proximity
 - c. Social consensus
 - d. Temporal immediacy

Answer: a (p. 42, easy, recall, AACSB: Ethical Reasoning)

38. Which of the following is NOT an advantage that an understanding of the facets of moral intensity can give to managers?
- a. the ability to pinpoint the source of ethical disagreement
 - b. the ability to anticipate issues that will be regarded as ethical dilemmas in the workplace
 - c. the ability to help employees agree on an ethical course of action
 - d. the ability to make moral judgments that will not be called into question by the rest of the workforce

Answer: d (pp. 42 – 43, moderate, integration, AACSB: Ethical Reasoning)

39. The _____ associated with the outcome of a given action is the anticipated level of impact, independent of whether the consequences are positive or negative.
- a. probability of effect
 - b. intensity of the outcome
 - c. immediacy of an action
 - d. magnitude of the consequences

Answer: d (p. 43, easy, recall, AACSB: Ethical Reasoning)

40. Cigarette ads and smoking have not been completely outlawed in part because which of the following is not 100 percent?
- a. probability of effect
 - b. social consensus
 - c. temporal immediacy
 - d. magnitude of the consequences

Answer: a (p. 43, difficult, application, AACSB: Ethical Reasoning)

41. As a component of the concept of moral intensity, proximity refers to ____.
- a. emotional closeness only
 - b. psychological closeness only
 - c. physical and emotional closeness
 - d. physical, emotional, and psychological closeness

Answer: d (p. 43, moderate, integration, AACSB: Ethical Reasoning)

42. Which of the following statements is NOT true regarding organizations and ethical decision making?
- a. A company's culture has little impact on ethical decision making.
 - b. Senior managers often encourage ethical behavior among other managers.
 - c. Most firms have not implemented plans to encourage whistle blowing.
 - d. There is some evidence that ethical misconduct is rising.

Answer: a (pp. 45 – 49, difficult, integration, AACSB: Ethical Reasoning)

43. Which of the following statements does NOT summarize one of the three cluster categories found in corporate codes of ethics?
- a. "Be good to our customers."
 - b. "Maximize shareholder value."
 - c. "Be a dependable organizational citizen."
 - d. "Don't do anything unlawful or improper that will harm the organization."

Answer: b (p. 46, moderate, recall, AACSB: Ethical Reasoning)

44. Research shows that executives believe ____ are the most effective way of encouraging ethical behavior on the part of their employees.
- a. focus groups
 - b. codes of ethics
 - c. internal controls
 - d. monetary rewards

Answer: b (p. 48, difficult, integration, AACSB: Ethical Reasoning)

45. Trainers at Lockheed Martin used a board game based on the “Dilbert” character to train employees about moral dilemmas. What were the results of this approach?
- a. Participants believed that playing the game was demeaning.
 - b. Participants found the approach more satisfying than traditional methods.
 - c. Participants liked the game, but they could not recall what they had learned.
 - d. Participants believed that better communication would have enhanced training.

Answer: b (p. 49, moderate, application, AACSB: Ethical Reasoning)

46. When companies reward employees who report valid claims of corporate unethical conduct, what are they clearly encouraging?
- a. moral intensity
 - b. whistle blowing
 - c. compensatory justice
 - d. pay for performance

Answer: b (pp. 49 – 50, moderate, application, AACSB: Ethical Reasoning)

47. Which of the following statements is true regarding whistle blowing?
- a. Most firms encourage whistle blowing.
 - b. Whistle blowers tend not to be disgruntled employees.
 - c. Laws in the United States neither protect nor reward whistle blowing.
 - d. Whistle blowers rarely use external channels to blow the whistle.

Answer: b (pp. 49 – 51, moderate, integration, AACSB: Ethical Reasoning)

48. Which of the following is NOT a step in encouraging whistle blowing?
- a. communicating procedures to all employees
 - b. protecting whistle blowers who make valid claims
 - c. regarding whistle blowers as guilty until proven innocent
 - d. investigating all claims based on consistent procedures

Answer: c (p. 50, moderate, recall, AACSB: Ethical Reasoning)

49. The Foreign Corrupt Practices Act does NOT prohibit payments to ____.
- a. business executives
 - b. politicians to win government contracts
 - c. government officials to receive preferential treatment
 - d. low-level government officials to forego their duties

Answer: a (p. 51, easy, recall, AACSB: Ethical Reasoning)

50. According to the Foreign Corrupt Practices Act, _____ can be made to low-level government employees to perform their duties more quickly.
- a. bribes
 - b. gratuities
 - c. facilitating payments
 - d. performance inducements

Answer: c (p. 51, moderate, recall, AACSB: Ethical Reasoning)

True/False Questions

51. According to Adam Smith, the best way to advance the well-being of society is to place resources in the hands of government officials and allow politicians to allocate scarce resources to satisfy the demands of society.

Answer: False (p. 30, moderate, recall)

52. The efficiency perspective states that it is irresponsible to maximize shareholders' wealth because they are not the only ones responsible for a firm's existence.

Answer: False (p. 30, moderate, integration)

53. From the perspective of social responsibility, shareholders are stakeholders.

Answer: True (p. 32, easy, recall)

54. In the stakeholder approach, shareholders are viewed as sole owners.

Answer: False (p. 32, difficult, recall)

55. The efficiency and stakeholder perspectives differ little in terms of how they evaluate actions that help one group and harm the other.

Answer: False (p. 34, difficult, integration)

56. Corporations react in a variety of ways to the pressures and constituencies connected to the topic of social responsibility.

Answer: True (pp. 34 – 35, moderate, recall)

57. Accommodator companies obey the letter of the law but do not make changes that might restrict profits unless they are required to do so.

Answer: True (p. 35, moderate, recall, AACSB: Ethical Reasoning)

58. Reactor firms tend to believe that they are obligated to a variety of stakeholders.

Answer: False (p. 35, moderate, integration)

59. Managerial ethics begin at the top of the organization.

Answer: True (p. 38, easy, recall, AACSB: Ethical Reasoning)

60. The challenge of ethical decision making is a modern phenomenon.

Answer: False (p. 39, moderate, recall, AACSB: Ethical Reasoning)

61. According to a recent study, Japanese and Korean salespeople viewed giving free gifts as an ethical issue; American salespeople did not.

Answer: False (p. 39, moderate, recall, AACSB: Ethical Reasoning)

62. When choice A and choice B are both competing and arguably valid, an ethical dilemma exists.

Answer: True (p. 39, moderate, application, AACSB: Ethical Reasoning)

63. Ethnocentricity tends to hinder managerial effectiveness, especially in culturally diverse contexts.

Answer: True (p. 40, easy, integration, AACSB: Multicultural and Diversity)

64. The moral rights approach advocates making decisions based on moral principles rather than on the positive or negative consequences of an action.

Answer: True (p. 40, easy, recall, AACSB: Ethical Reasoning)

65. According to the utilitarian approach, if two courses of action have equal moral standing, managers should determine the more ethical course by considering the positive and negative consequences of each one.

Answer: False (p. 40, moderate, recall, AACSB: Ethical Reasoning)

66. According to the universal approach, the most ethical course of action is the one that results in the greatest good for the greatest number of people.

Answer: False (p. 41, easy, recall, AACSB: Ethical Reasoning)

67. A start-up software company offers all members equal stock options, applies one code of conduct to all members, and provides an effective grievance procedure. This company has been influenced most strongly by the justice approach to ethics.

Answer: True (pp. 41 – 42, easy, application, AACSB: Ethical Reasoning)

68. Advocates of compensatory justice maintain that when two courses of action both have moral standing, the positive and negative consequences of each should determine which course of action is ethical.

Answer: False (p. 42, moderate, application, AACSB: Ethical Reasoning)

69. A company dumps chemical waste into a lake knowing that any problems would not show up for many years. In this case, the low temporal immediacy of the problem decreases its moral intensity.

Answer: True (pp. 42 – 43, moderate, recall, AACSB: Ethical Reasoning)

70. Understanding the six components of moral intensity helps managers anticipate issues that are likely to become ethical debates.

Answer: True (pp. 42 – 43, moderate, recall, AACSB: Ethical Reasoning)

71. The Johnson & Johnson's credo suggests the company adheres strongly to the efficiency perspective of social responsibility.

Answer: False (p. 46, difficult, application, AACSB: Ethical Reasoning)

72. According to Hitt, Black, and Porter, European firms tend to have formal codes of ethics while U.S. firms do not.

Answer: False (pp. 46 – 47, moderate, recall, AACSB: Ethical Reasoning)

73. Most executives believe that codes of ethics do little to encourage ethical behavior.

Answer: False (p. 48, difficult, recall, AACSB: Ethical Reasoning)

74. Research clearly supports the link between a company having a code of ethics and the actual behavior of its employees.

Answer: False (p. 48, moderate, recall, AACSB: Ethical Reasoning)

75. Employees are unlikely to conform to a corporate code of ethics unless other actions taken by the organization reinforce the code.

Answer: True (p. 48, moderate, application, AACSB: Ethical Reasoning)

76. The greater the psychological and emotional involvement of participants in ethics training, the greater their retention of learning points will be.

Answer: True (p. 49, moderate, integration, AACSB: Ethical Reasoning)

77. Whistle blowers tend to be conscientious, high-performing employees, not disgruntled employees.

Answer: True (p. 49, moderate, recall, AACSB: Ethical Reasoning)

78. Employees who blow the whistle on companies with federal government contracts may receive a small portion of the judgment if the company is found guilty.

Answer: True (p. 51, moderate, application, AACSB: Ethical Reasoning)

79. Payment of \$100 USD to a customs inspector to expedite his or her inspection of an imported product would violate the Foreign Corrupt Practices Act.

Answer: False (p. 51, moderate, application, AACSB: Ethical Reasoning)

80. The Foreign Corrupt Practices Act was passed in 1977 in order to prevent foreign government officials from making payments to U.S. firms.

Answer: False (p. 51, moderate, recall, AACSB: Ethical Reasoning)

Short Essay Questions

81. Compare managerial ethics and corporate social responsibility. (pp. 29 and 38, AACSB: Ethical Reasoning)

Managerial ethics is concerned with morality and standards of business conduct, especially among individuals. Corporate social responsibility is concerned with the obligations that corporations have to constituencies and the nature and extent of those obligations.

82. Discuss the efficiency perspective of social responsibility. (pp. 30 – 31, AACSB: Ethical Reasoning)

The Nobel Prize-winning economist, Milton Friedman, asserted that the “business of business” is business (i.e., a manager’s responsibility is to maximize profits for the owners of the business). When a manager of a business is also its owner, the self-interests of the owner are best achieved by serving the needs of society. To the extent that the cost of complying with society’s values is less than the price customers are willing to pay, the owner makes a profit. In most large corporations, however, managers are not owners; rather, they are agents of the organization’s owners. Friedman asserts that managers

should “conduct business in accordance with [owner’s] desires, which will generally be to make as much money as possible while conforming to the basic rules of society.” As such, managers have no obligation to act on behalf of society, unless doing so maximizes value for shareholders.

83. Define ethical dilemmas and ethical lapses. (p. 39, AACSB: Ethical Reasoning)

Ethical dilemmas involve decisions between two competing but arguably valid options; ethical lapses are decisions that are contrary to an individual’s stated beliefs and policies of the company.

84. What are the key challenges in determining the “greatest good” in the utilitarian approach? (p. 40, AACSB: Ethical Reasoning)

When trying to determine what is “good” or “bad,” people may see the same outcome differently; that is, the “goodness” or “badness” of an outcome is often a subjective judgment. Factors such as religion, culture, and economic circumstances can all affect those subjective judgments.

85. Discuss the moral rights approach to ethical decision making. (p. 40 – 41, AACSB: Ethical Reasoning)

This approach focuses on an examination of the moral standing of actions independent of their consequences. According to this approach, some things are just “right” or “wrong,” regardless of consequences. When two courses of action both have moral standing, then the positive and negative consequences of each should determine which one is ethical. When applying this approach, one should choose the action that conforms to moral principles and provides positive consequences.

86. How is the universal approach different from the “golden rule” of do unto others as you would have them do unto you? (p. 41, AACSB: Ethical Reasoning)

The “golden rule” requires that you imagine you are in the other person’s place and asserts that you should treat that person only as you would want to be treated in the same situation. It is based on a passage from Christ’s Sermon on the Mount. The universal approach, proposed by Kant, requires that you “do unto others as you would have them do to everyone, including yourself.” According to this approach, you should choose a course of action that can apply to all people under all situations and that you would also want applied to yourself.

87. What is moral intensity? Identify the six components of moral intensity. (p. 42, AACSB: Ethical Reasoning)

Moral intensity is the degree to which people see an issue as an ethical one. This is largely a function of the content of the issue. The six components include magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, and concentration of effect.

88. Compare magnitude of consequences with probability of effect. (p. 43, AACSB: Ethical Reasoning)

The magnitude of consequences associated with the outcome of a given action is the level of impact anticipated; this impact is independent of whether the consequences are positive or negative. Probability of effect concerns the likelihood that a consequence will occur. For example, suppose a particular action could result in severe consequences and people agree about the positive or negative nature of those consequences. The intensity of their concern over the consequences will rise and fall, depending on how likely people think the consequences are.

89. What is a whistle blower? (p. 49, AACSB: Ethical Reasoning)

A whistle blower is an employee who discloses illegal or unethical conduct on the part of others in the organization.

90. What is the Foreign Corrupt Practices Act? (p. 51, AACSB: Ethical Reasoning)

The Foreign Corrupt Practices Act (FCPA) was passed in 1977 due to the disclosure that U.S. firms were making payments to foreign government officials to win government contracts and receive preferential treatment. The FCPA prohibits employees of U.S. firms from corrupting the actions of foreign officials, politicians, or candidates for office.

Note: The remaining questions in this section will be based on the following **scenario**:

“There’s a delivery for you at the front desk,” the receptionist announced on the speakerphone. “Oh, thank you!” Scott Burns answered. “I’ll be right there.” After unpacking the box and reading the enclosed card, Scott assumed that the enclosed fruit baskets were intended for Carolyn Larkin and him – the top people in the managerial hierarchy at Belmar Products. “Happy Holidays” was printed on the card. The fruit baskets were large enough to share with all of Belmar’s employees. However, he placed one fruit basket in Carolyn’s office, and then slipped out of the side door to put the other fruit basket in his car.

“What a beautiful thought!” Carolyn exclaimed, after returning to her office. She immediately carried the fruit basket to the employee break room. Her attached note read, “This is from Kentwood – one of our suppliers. Help yourself! Carolyn.” On the way back to her office, Carolyn stopped by Scott’s office. “There’s a beautiful fruit basket in

the break room from Kentwood! The oranges look delicious! Help yourself!” Carolyn announced with a smile. “Thank you,” Scott answered sheepishly.

91. Explain the ethical dilemma in this scenario. (p. 39, AACSB: Ethical Reasoning)

Scott assumed that the fruit baskets were intended for Carolyn and him; so, he kept one for himself and gave one to her. However, Carolyn chose to share hers, a gesture of generosity to the employees that also allowed her to avoid accepting a personal gift from a supplier. Now, Scott must decide whether he will follow Carolyn’s lead and share his fruit basket with others in his office, or keep a personal gift from a supplier. His decision is made more difficult by the fact that he could be discovered retrieving the fruit basket from his car, thus leading to embarrassing questions.

92. Has an ethical lapse occurred in this case? (p. 39, AACSB: Ethical Reasoning)

Ethical lapses involve decisions that are contrary to an individual’s stated beliefs and policies of the company. If company policy prohibits employees from accepting gifts from suppliers, then an ethical lapse has occurred. If Scott had stated that he believed accepting gifts from vendors would be unethical, then an ethical lapse has occurred.

93. According to the utilitarian approach to ethical decision making, what should Scott do? (p. 40, AACSB: Ethical Reasoning)

The utilitarian approach focuses on the consequences of actions. According to this approach, Scott should make the decision that would result in “the greatest good.” Thus, Scott should have also offered his fruit basket for all to enjoy.

94. According to the moral rights approach to ethical decision making, what are Scott’s options? (pp. 40 – 41, AACSB: Ethical Reasoning)

According to the moral rights approach, some things are just “right” or “wrong,” without consideration of consequences. Scott must decide whether it is right or wrong of him to accept a gift from a supplier and whether it is right or wrong for him to choose not to share “his” fruit basket with others in the office. According to this approach, he should choose the action that satisfies moral principles and provides positive consequences. In this case, sharing his fruit basket with employees seems to conform to moral principles and provide positive consequences (i.e., sharing with others and avoiding the appearance of conflict of interest).

95. According to the universal approach to ethical decision making, what should Scott Burns have done? (p. 41, AACSB: Ethical Reasoning)

Scott should have considered the best option to apply to all people under all situations, himself included. Therefore, Scott should have shared his gift with the other employees, assuming that is what he would have wanted if they had received such a gift.

96. Explain the possible magnitude of the consequences associated with this issue, from Scott's perspective. (p. 43, AACSB: Ethical Reasoning)

The magnitude of consequences associated with an action is the anticipated level of consequences. Scott may assume the magnitude of the consequences to be low in this situation, since he was probably not seen placing the fruit basket in his car and the receptionist was not aware that the box contained more than one fruit basket. However, if someone did see him put the fruit basket in his car or if the supplier mentioned the two fruit baskets to another employee, then the magnitude of consequences would increase.

97. What would be the likely social consensus concerning the rightness or wrongness of Scott's act? (p. 43, AACSB: Ethical Reasoning)

Social consensus involves the extent to which members of a society agree that an act is either good or bad. The consensus would probably be that Scott had behaved badly.

98. Describe the probability of effect in this scenario. (p. 43, AACSB: Ethical Reasoning)

The probability of effect concerns the likelihood that a given consequence will happen. The higher the probability of the consequence, the more intense will be the sense of ethical obligation. If Scott's actions were discovered by an employee, it could cause hard feelings in the workforce. If Scott's actions were discovered by Carolyn, he would risk losing her respect. However, because the likelihood of being discovered in either case is relatively low, the probability of effect in this scenario will be minimized.

99. Explain the temporal immediacy in this issue. (p. 43, AACSB: Ethical Reasoning)

Temporal immediacy is a function of the interval between the time an action occurs and the onset of its consequences. If nobody discovered that Scott had kept a fruit basket for himself, then there would be no consequences (even though he may regret his decision). If it came to light that he had kept a fruit basket (an employee saw him put the basket in his car or the supplier inquired about the two gift baskets), temporal immediacy would depend on when that happened. If the fruit baskets arrived the day before a holiday break, the onset of the consequences would probably not occur, if at all, until after everyone had returned to work.

100. To what degree might proximity play a role in the moral intensity of this scenario? (p. 43, AACSB: Ethical Reasoning)

Proximity is concerned with a decision maker's physical and psychological closeness to others who will be affected by his/her decision. In this scenario, it is difficult to tell how close (physically or psychologically) Scott is to the others in the office; thus, it is hard to gauge the moral intensity of his decision about whether to share the fruit basket with other employees. However, it is clear that he can identify with Carolyn psychologically,

as they are both top managers at Belmar. Moreover, his office may be close to her office. Pertaining to Carolyn, therefore, it is likely that he would think his decision involved moral or ethical issues, such as trust, honesty, integrity, and fairness.