

Chapter 02 Business Ethics

True/False Questions

1. In the context of libertarianism, justice and fairness, right and wrong are measured not by equality of results for all but from ensuring equal opportunity for all to engage in informed choices about their own welfare.

Answer: True

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Discuss the leading ethical decision-making theories.

Topic: Ethics Theories

Feedback: Justice and fairness, right and wrong are measured not by equality of results (such as wealth) for all but from ensuring equal opportunity for all to engage in informed choices about their own welfare. Hence, philosopher Robert Nozick took essentially a free market stance toward ethics.

2. Virtue ethics applauds the person who is motivated to do the right thing and who cultivates that motivation in daily conduct.

Answer: True

AACSB: Ethics

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Discuss the leading ethical decision-making theories.

Topic: Ethics Theories

Feedback: Virtue ethics applauds the person who is motivated to do the right thing and who cultivates that motivation in daily conduct. A part of the argument is that such persons are more morally reliable than those who simply follow the rules but fail to inspect, strengthen, and preserve their own personal virtues.

3. To the deontologist, the end is primary and that end or result is the measure of the ethical quality of a decision or act.

Answer: False

AACSB: Analytical Thinking

AACSB: Ethics

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.

Topic: Ethics Theories

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Feedback: For the teleologist or consequentialist, the end is primary and that end or result is the measure of the ethical quality of a decision or act. To the deontologist, on the other hand, principle is primary and consequence is secondary or even irrelevant.

4. Kant believed that every rational creature can act according to his or her categorical imperative because all such persons have “autonomous, self-legislating wills” that permit them to formulate and act on their own systems of rules.

Answer: True

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.

Topic: Ethics Theories

Feedback: Kant believed that every rational creature can act according to his or her categorical imperative because all such persons have “autonomous, self-legislating wills” that permit them to formulate and act on their own systems of rules. To Kant, what is right for one is right for all, and each of us can discover that “right” by exercising our rational faculties.

5. A moral rule is “categorical” rather than “hypothetical” in that its prescriptive force is independent of its consequences.

Answer: True

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.

Topic: Ethics Theories

Feedback: A moral rule is “categorical” rather than “hypothetical” in that its prescriptive force is independent of its consequences. The rule guides us independent of the ends we seek.

6. Maximizing right rather than good is the teleological standard.

Answer: False

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.

Topic: Ethics Theories

Feedback: Maximizing right rather than good is the deontological standard. The deontologist might well refuse to lie, as a matter of principle, even if lying would maximize good.

7. According to act-utilitarianism, our goal is to identify the consequences of a particular act to determine whether it is right or wrong.

Answer: True

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AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Distinguish utilitarianism and formalism.

Topic: Ethics Theories

Feedback: According to act-utilitarianism, our goal is to identify the consequences of a particular act to determine whether it is right or wrong. Rule-utilitarianism requires us to follow those rules that generate the greatest value for society.

8. Formalism requires us to follow those rules that generate the greatest value for society.

Answer: False

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Distinguish utilitarianism and formalism.

Topic: Ethics Theories

Feedback: Rule-utilitarianism requires us to follow those rules that generate the greatest value for society. The rule-utilitarian may be forced to shun a particular act that would result in greater immediate good (punishing a guilty person whose constitutional rights have been violated) in favor of upholding a broader rule that results in the greater total good over time (maintaining constitutional principles by freeing the guilty person).

9. The emotion or intuition approach claims that moral decision making is an automatic, nonreflective process in which our minds, when confronted with a moral question, instantaneously generate feelings of approval or disapproval.

Answer: True

AACSB: Ethics

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Describe Kohlberg's theory of moral development.

Topic: Why Do Some Managers Cheat?

Feedback: The emotion or intuition approach claims that moral decision making is an automatic, nonreflective process in which our minds, when confronted with a moral question, instantaneously generate feelings of approval or disapproval. Some scientists speculate that controlled moral reasoning may be little more than an after-the-fact method of justifying conclusions already reached automatically via emotions or intuitions.

10. A danger in the ethic of care is that it might be interpreted to restore and legitimize the stereotype of women as care giving subordinates not deserving of moral autonomy.

Answer: True

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Describe Kohlberg's theory of moral development.

Topic: Why Do Some Managers Cheat?

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Feedback: Kohlberg's initial experimental subjects were limited to young males. The result, in Gilligan's view, is that women are underscored. Of course, a danger in the ethic of care is that it might be interpreted to restore and legitimize the stereotype of women as care giving subordinates not deserving of moral autonomy.

11. Moral identity involves the degree to which moral concerns are central to our sense of self.

Answer: True

AACSB: Ethics

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Describe Kohlberg's theory of moral development.

Topic: Why Do Some Managers Cheat?

Feedback: Early evidence suggests that a critical feature in total moral development, including the will to act, involves what is labeled moral identity. In general, moral identity involves the degree to which moral concerns are central to our sense of self.

12. Organizational culture does not influence corporate misconduct.

Answer: False

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-07 Describe some of the forces that encourage unethical behavior in the workplace.

Topic: Why Do Some Managers Cheat?

Feedback: Individual character influences corporate misconduct, but organizational culture is also important. Unfortunately, only 10 percent of American companies demonstrate the characteristics that are associated with a "strong ethical culture," according to a 2007 Ethics Resource Center study.

13. The Sarbanes-Oxley Act forbids corporate executives to personally certify the accuracy of their financial reports.

Answer: False

AACSB: Analytical Thinking

AACSB: Ethics

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-08 Explain the general purpose of ethics codes in the workplace.

Topic: Introduction: Corporate/White-Collar Crime

Feedback: Responding to public outrage over Enron, WorldCom, and other stunning and destructive corporate scandals, Congress and the president approved the 2002 Sarbanes–Oxley Act (SOX) to attack corporate crime by publicly traded companies. The bill requires corporate executives to personally certify the accuracy of their financial reports.

14. Federal sentencing guidelines, issued by the U.S. Sentencing Commission, provide ranges within which judges are advised to impose sentences.

Answer: True

AACSB: Analytical Thinking

AACSB: Ethics

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-08 Explain the general purpose of ethics codes in the workplace.

Topic: Introduction: Corporate/White-Collar Crime

Feedback: Federal sentencing guidelines, issued by the U.S. Sentencing Commission, provide ranges (e.g., 10–12 months imprisonment) within which judges are advised to impose sentences. Relying on the crime’s “offense level” and the defendant’s criminal history, the punishment range for each category of both white-collar and street crime is established.

15. In the context of federal sentencing guidelines for corporate or white-collar crime, companies involved in crimes do not receive reduced penalties even if they have effective compliance programs in place.

Answer: False

AACSB: Ethics

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-08 Explain the general purpose of ethics codes in the workplace.

Topic: Introduction: Corporate/White-Collar Crime

Feedback: Companies must develop programs to prevent and detect crime, provide ethics training, and monitor the success of compliance efforts. Companies involved in crimes may receive reduced penalties if they have effective compliance programs in place.

16. In all nations, the payment of bribes is considered as an unlawful way of doing business.

Answer: False

AACSB: Ethics

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-09 Explain the general requirements of the Foreign Corrupt Practices Act.

Topic: Global Bribery

Feedback: In many cultures, the payment of bribes—*baksheesh* (Middle East), *huilu* (China), *vzyatku* (Russia), *mordida* (South America), or *dash* (Africa)—is accepted as a necessary and, in some cases, a lawful way of doing business. American firms and officers wishing to succeed abroad have faced great pressure to engage in practices that are illegal and unethical in the American culture.

17. The Foreign Corrupt Practices Act (FCPA) requires rigorous internal accounting controls and careful recordkeeping to ensure that bribes cannot be concealed via “slush funds” and other devices.

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Answer: True

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-09 Explain the general requirements of the Foreign Corrupt Practices Act.

Topic: Global Bribery

Feedback: The Foreign Corrupt Practices Act (FCPA) requires rigorous internal accounting controls and careful recordkeeping to ensure that bribes cannot be concealed via “slush funds” and other devices. The act does not forbid “grease” payments to foreign officials or political parties where the purpose of the payments is “to expedite or to secure the performance of a routine governmental action,” such as processing papers (like visas), providing police protection, and securing phone service.

18. Among its major provisions, the False Claims Act raises penalties for whistle-blowers to as much as 25 years imprisonment along with heavy fines.

Answer: False

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-10 Discuss some of the risks and rewards of whistle-blowing.

Topic: Whistle Blowing

Feedback: Many federal statutes include whistle blower provisions and the federal False Claims Act rewards those who help stop fraud involving government contracts. Whistle blowers typically are entitled to 10 to 30 percent of the recovery from the wrongdoer.

19. Whistle-blowing appears to be on the rise following the passage of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act.

Answer: True

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-10 Discuss some of the risks and rewards of whistle-blowing.

Topic: Whistle Blowing

Feedback: Whistle-blowing appears to be on the rise following the passage of the 2010 Dodd–Frank Wall Street Reform and Consumer Protection Act, which includes a cash reward for those whose information regarding federal securities law violations leads to a recovery exceeding \$1 million.

Multiple Choice Questions

20. Which of the following indicates an existentialist’s belief?

A. An existentialist believes standards of conduct can be objectively discovered.

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B. An existentialist believes in strengthening Christian principles in the society.

C. An existentialist believes no actions are inherently right or wrong.

D. An existentialist believes conduct can be rationally justified.

Answer: C

AACSB: Ethics

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-03 Discuss the leading ethical decision-making theories.

Topic: Ethics Theories

Feedback: Existentialists, led by the famed Jean-Paul Sartre, believe standards of conduct cannot be objectively discovered or rationally justified via ethical theory and reasoning. No actions are inherently right or wrong.

21. Which of the following ethical theories takes essentially a free market view of ethics?

A. Moral absolutism

B. Deontology

C. Virtue ethics

D. Libertarianism

Answer: D

AACSB: Ethics

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Discuss the leading ethical decision-making theories.

Topic: Ethics Theories

Feedback: Contemporary philosopher Robert Nozick, who built an ethical theory rooted in personal liberty, took essentially a free market stance toward ethics. For him, morality coincided with the maximization of personal freedom. Justice and fairness, right and wrong are measured not by equality of results (such as wealth) for all but from ensuring equal opportunity for all to engage in informed choices about their own welfare.

22. Virtue ethics focuses on the classic notion that the key to good ethics lies in a person's ____.

A. character

B. responsibilities

C. rights

D. rules

Answer: A

AACSB: Analytical Thinking

AACSB: Ethics

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Discuss the leading ethical decision-making theories.

Topic: Ethics Theories

Feedback: In the context of virtue ethics, in recent years, an increasing number of philosophers have argued that the key to good ethics lies not in rules, rights, and

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responsibilities but in the classic notion of character. As Plato and Aristotle argued, our attention should be given to strategies for encouraging desirable character traits such as honesty, fairness, compassion, and generosity.

23. Which of the following provides the foundation for a moral life built on religion?

- A. Intuition
- B. Reason
- C. Faith
- D. Secular knowledge

Answer: C

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Discuss the leading ethical decision-making theories.

Topic: Ethics Theories

Feedback: From a religious point of view, the deity's laws are absolutes that must shape the whole of one's life, including work. Faith, rather than reason, intuition, or secular knowledge, provides the foundation for a moral life built on religion.

24. Which of the following is involved in a teleological view of life?

- A. Obligations
- B. Principles
- C. Duties
- D. Ends

Answer: D

AACSB: Analytical Thinking

AACSB: Ethics

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.

Topic: Ethics Theories

Feedback: A teleological view of life involves ends, goals, and the ultimate good. Duty and obligation are subordinated to the production of what is good or desirable.

25. A(n) _____ ethical system emphasizes the consequences of an act.

- A. deontological
- B. teleological
- C. existential
- D. libertarian

Answer: B

AACSB: Ethics

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.

Topic: Ethics Theories

Feedback: Teleological ethical systems (often referred to as consequentialist ethical systems) are concerned with the consequences and the results of an act rather than the act itself. A teleological view of life involves ends, goals, and the ultimate good.

26. A(n) _____ believes principle is primary and consequence is secondary or even irrelevant.

- A. deontologist
- B. situationalist
- C. teleologist
- D. existentialist

Answer: A

AACSB: Analytical Thinking

AACSB: Ethics

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.

Topic: Ethics Theories

Feedback: To the deontologist, principle is primary and consequence is secondary or even irrelevant. Maximizing right rather than good is the deontological standard.

27. A(n) _____ believes that good must be weighed against evil in reaching an ethical decision.

- A. deontologist
- B. libertarian
- C. utilitarian
- D. existentialist

Answer: C

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.

Topic: Ethics Theories

Feedback: According to the utilitarian approach, in reaching an ethical decision, good is to be weighed against evil. A decision that maximizes the ratio of good over evil for all those concerned is the ethical course.

28. Teleological ethical systems are often referred to as _____.

- A. formalist ethical systems
- B. existentialist ethical systems
- C. deontologist ethical systems

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D. consequentialist ethical systems

Answer: D

AACSB: Analytical Thinking

AACSB: Ethics

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.

Topic: Ethics Theories

Feedback: Teleological ethical systems (often referred to as consequentialist ethical systems) are concerned with the consequences, the results, of an act rather than the act itself. A teleological view of life involves ends, goals, and the ultimate good.

29. A father may be morally committed to saving his son from a burning building rather than saving another person who might do more total good for society. The action of the father would be primarily dictated by the _____ ethical system.

A. teleological

B. deontological

C. utilitarian

D. consequentialist

Answer: B

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.

Topic: Ethics Theories

Feedback: Relationships among people are important from a deontological perspective primarily because they create duties. A father may be bound by duty to save his son from a burning building rather than saving another person who could do more total good for society.

30. The principle that is most likely to be followed by a utilitarian is:

A. the vision of ethics measured by the rightness of rules.

B. that what is right for one is right for all.

C. the greatest good for the greatest number.

D. that moral worth springs from one's decision to discharge one's duty.

Answer: C

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.

Topic: Ethics Theories

Feedback: The rule-utilitarian may be forced to shun a particular act that would result in greater immediate good (punishing a guilty person whose constitutional rights have been

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violated) in favor of upholding a broader rule that results in the greater total good over time (maintaining constitutional principles by freeing the guilty person). In sum, the principle to be followed for the utilitarian is the greatest good for the greatest number.

31. Which of the following statements describes the formalistic view of ethics?

- A. A decision that maximizes the ratio of good over evil for all those concerned is the ethical course.
- B. The rightness of an act depends little on the results of the act.
- C. The moral person renders ethical decisions based on the consequences of the decision.
- D. The moral person may be forced to shun a particular act that would result in greater immediate good.

Answer: B

AACSB: Analytical Thinking

AACSB: Ethics

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.

Topic: Ethics Theories

Feedback: German philosopher Immanuel Kant (1724–1804) developed perhaps the most persuasive and fully articulated vision of ethics as measured not by consequences (teleology) but by the rightness of rules. In this formalistic view of ethics, the rightness of an act depends little (or, in Kant’s view, not at all) on the results of the act.

32. Identify the correct statement regarding Immanuel Kant’s categorical imperative.

- A. It believes that standards of conduct can be objectively discovered.
- B. It states that one’s goal is to identify the consequences of a particular act to determine whether it is right or wrong.
- C. It is based on the idea that a decision that maximizes the ratio of good over evil for all those concerned is the ethical course.
- D. It is the notion that every person should act on only those principles that he, as a rational person, would prescribe as universal laws to be applied to the whole of humankind.

Answer: D

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.

Topic: Ethics Theories

Feedback: Immanuel Kant propounded the categorical imperative, the notion that every person should act on only those principles that he or she, as a rational person, would prescribe as universal laws to be applied to the whole of humankind. A moral rule is “categorical” rather than “hypothetical” in that its prescriptive force is independent of its consequences.

33. Jenny is the CEO of a company that has been affected by an economic meltdown. She realizes that the only way for her company to remain in business during the period of recession is to cut costs drastically. She believes it would be better if all employees took a 10 percent pay cut instead of laying off 10 percent of the workers. She feels this is the correct decision as it would benefit the company and all the employees. Her approach is primarily influenced by the _____ ethical system.

- A. rule-utilitarian
- B. libertarian
- C. deontological
- D. formalist

Answer: A

AACSB: Reflective Thinking

AACSB: Ethics

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-05 Distinguish utilitarianism and formalism.

Topic: Ethics Theories

Feedback: Rule-utilitarianism requires us to follow those rules that generate the greatest value for society. Thus, the rule-utilitarian may be forced to shun a particular act that would result in greater immediate good (punishing a guilty person whose constitutional rights have been violated) in favor of upholding a broader rule that results in the greater total good over time (maintaining constitutional principles by freeing the guilty person). In this scenario, Jenny is primarily influenced by the rule-utilitarian ethical system.

34. Which of the following is identified as the postconventional level of the six universal stages of moral development?

- A. Conforming to meet the expectations of others
- B. Doing right, obeying the law, and upholding social order
- C. Following self-chosen universal ethical principles
- D. Following rules only if it is in your own self-interest but letting others do the same

Answer: C

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Describe Kohlberg's theory of moral development.

Topic: Why Do Some Managers Cheat?

Feedback: Kohlberg identified six universal stages grouped into three levels. The third level is called postconventional or principled level. Stage 6 of this level involves following self-chosen universal ethical principles. In the event of conflicts, principles override laws.

35. Which of the following universal stages is grouped under the conventional level?

- A. Adhering to stereotypical images
- B. Obeying rules to avoid punishment
- C. Following self-chosen universal ethical principles
- D. Conforming to secure rewards

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Answer: A

AACSB: Analytical Thinking

AACSB: Ethics

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Describe Kohlberg's theory of moral development.

Topic: Why Do Some Managers Cheat?

Feedback: Kohlberg identified six universal stages grouped into three levels. The second level is called conventional level. Stage 3 of this level involves conforming to meet the expectations of others, pleasing others, and adhering to stereotypical images.

36. Which of the following statements symbolizes the idea of a feminine “voice” in view of morality?

- A. Women give high priority to “rights” when making a decision.
- B. Women approach morality as a function of justice and impartiality.
- C. Women consider relationships and the needs of others.
- D. Women give the highest priority to their own self-interests while making decisions.

Answer: C

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Describe Kohlberg's theory of moral development.

Topic: Why Do Some Managers Cheat?

Feedback: According to Carol Gilligan, men tend to take an impersonal, universal view of morality as contrasted with the feminine “voice” that rises more commonly from relationships and concern for the specific needs of others. Gilligan criticizes Kohlberg because his highest stages, 5 (that current laws and values are relative) and 6 (that involves following self-chosen universal ethical principles), are structured in terms of the male approach to morality while the feminine voice falls at stage 3 (that involves conforming to meet the expectations of others, pleasing others, and adhering to stereotypical images).

37. If Kohlberg was correct, a consequence of adults not passing beyond level 2, that is, following rules only if it is in their own interest but letting others do the same and conforming to secure rewards, of the six universal stages is that:

- A. managers may behave unethically since they haven't achieved moral maturity.
- B. an individual is able to reach independent moral judgments that may or may not conform with conventional societal wisdom.
- C. a manager's decision would be based on independently defined universal principles of justice.
- D. an individual may take an impersonal view on morality as against a voice that rises from relationships and concern for the needs of others.

Answer: A

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

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Learning Objective: 02-06 Describe Kohlberg's theory of moral development.

Topic: Why Do Some Managers Cheat?

Feedback: Kohlberg found that many adults never pass beyond Level 2; that is, following rules only if it is in own interest but letting others do the same and conforming to secure rewards. Consequently, if Kohlberg was correct, many managers may behave unethically simply because they have not reached the upper stages of moral maturity.

38. Which of the following is a decisive argument in the criticism put forth by Carol Gilligan against Kohlberg's proposition on moral development?

- A. Kohlberg's initial experimental subjects were limited to young females.
- B. Conceptions on morality are substantially based on gender.
- C. Moral judgment evolves primarily as a function of age.
- D. Moral judgment improves as a function of education.

Answer: B

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Describe Kohlberg's theory of moral development.

Topic: Why Do Some Managers Cheat?

Feedback: Kohlberg's colleague Carol Gilligan contends that our conceptions of morality are, in substantial part, gender-based. She claims that men typically approach morality as a function of justice, impartiality, and rights (the ethic of justice), whereas women are more likely to build a morality based on care, support, and responsiveness (the ethic of care).

39. Of the six universal stages of moral development identified by Kohlberg, which of the following traits is a manager most likely to display if he were at stage three of the conventional level?

- A. Obey rules to avoid punishment.
- B. Conform to secure rewards.
- C. Adhere to stereotypical images.
- D. Follow rules only if it is in his or her own interest.

Answer: C

AACSB: Analytical Thinking

AACSB: Ethics

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Describe Kohlberg's theory of moral development.

Topic: Why Do Some Managers Cheat?

Feedback: Psychologist Lawrence Kohlberg built and empirically tested a comprehensive theory of moral development in which he claimed that moral judgment evolves and improves primarily as a function of age and education. If a manager was at the third stage of the conventional level, he is most likely to please others, conform to meet expectations, and adhere to stereotypical images.

40. Which of the following is a commonly shared perspective on moral decision making by both Kohlberg and Gilligan?

- A. Moral decision making may be the product of a dual process system employing both automatic emotions and controlled reasoning.
- B. Moral decision making is an automatic, nonreflective process.
- C. Moral decision making is the controlled product of analysis, deliberation, and experience.
- D. Moral decision making is a result of rapid judgments about right and wrong based on unconscious processes that are involuntary and universal.

Answer: C

AACSB: Analytical Thinking

AACSB: Ethics

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Describe Kohlberg's theory of moral development.

Topic: Why Do Some Managers Cheat?

Feedback: Kohlberg and Gilligan (and most moral philosophers) take the position that moral decision making is the controlled product of analysis, deliberation, and experience. In recent years, however, new psychological and neuroscience evidence has supported an alternative theory of morality that involves decision making by emotion or intuition.

41. In the context of corporate or white-collar crime, which of the following statements is true of sentencing?

- A. Companies involved in crimes do not receive reduced penalties even if they have effective compliance programs in place.
- B. Federal sentencing guidelines are issued by the Uniform Commercial Code.
- C. Departures from federal sentencing guidelines are not permissible for any form of cases.
- D. Responsibility for compliance rests explicitly with the board of directors and top-level executives.

Answer: D

AACSB: Ethics

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-08 Explain the general purpose of ethics codes in the workplace.

Topic: Introduction: Corporate/White-Collar Crime

Topic: Why Do Some Managers Cheat?

Feedback: Companies must develop programs to prevent and detect crime, provide ethics training, and monitor the success of compliance efforts. Companies involved in crimes may receive reduced penalties if they have effective compliance programs in place. Responsibility for compliance rests explicitly with the board of directors and top-level executives.

42. Which of the following statements is true of the Sarbanes-Oxley Act?

- A. It establishes an independent board to oversee the accounting profession.
- B. It establishes a universal, formalist rule forbidding layoffs of all competent employees.
- C. It was enacted to reward those who help stop fraud involving government contracts.
- D. It was enacted in response to disclosure of widespread bribery by American firms.

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Answer: A

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-08 Explain the general purpose of ethics codes in the workplace.

Topic: Introduction: Corporate/White-Collar Crime

Feedback: Responding to public outrage over Enron, WorldCom, and other stunning and destructive corporate scandals, Congress and the president approved the 2002 Sarbanes–Oxley Act (SOX) to attack corporate crime by publicly traded companies. Among its provisions, the bill establishes an independent board to oversee the accounting profession.

43. Wright Corp., an American firm, is establishing an office in Africa with Mary as the manager. After two months of endless efforts, Mary is informed that in order to get utilities for its African branch, she must give some money to the government-based electric company agent as an “encouragement,” just as all the other businesses have done. Under the Foreign Corrupt Practices Act, which of the following statements about the payment is true?

- A. The payment is illegal since it is a bribe to a foreign government official.
- B. The payment is legal as long as all other businesses do the same thing.
- C. The payment is legal since that is the only way she can get utilities.
- D. The payment is legal since it is merely “grease” money to expedite routine action.

Answer: D

AACSB: Reflective Thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-09 Explain the general requirements of the Foreign Corrupt Practices Act.

Topic: Global Bribery

Feedback: The Foreign Corrupt Practices Act does not forbid “grease” payments to foreign officials or political parties where the purpose of the payments is “to expedite or to secure the performance of a routine governmental action,” such as processing papers (like visas), providing police protection, and securing phone service. In this scenario, the payment to be made by Mary to the African branch is legal since it is merely “grease” money to expedite routine action.

44. Which of the following statements is true of the Foreign Corrupt Practices Act?

- A. It requires all publicly traded companies to voluntarily develop ethics codes.
- B. It ordinarily permits a small gift or token of esteem or gratitude.
- C. It establishes an independent board to oversee the accounting profession.
- D. It defines a code of ethics as written standards that are reasonably designed to deter wrongdoing.

Answer: B

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-09 Explain the general requirements of the Foreign Corrupt Practices Act.

Topic: Global Bribery

Feedback: The Foreign Corrupt Practices Act does not forbid “grease” payments to foreign officials or political parties where the purpose of the payments is “to expedite or to secure the performance of a routine governmental action,” such as processing papers (like visas), providing police protection, and securing phone service. Likewise, a “small gift or token of esteem or gratitude” ordinarily is permissible.

45. Which of the following is a risk associated with the outcome of whistle blowing?

- A. Poor legal protection
- B. Instigation of benchmarking
- C. Liquidation of the company’s assets
- D. Fear of retribution

Answer: D

AACSB: Analytical Thinking

AACSB: Ethics

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-10 Discuss some of the risks and rewards of whistle-blowing.

Topic: Whistle Blowing

Feedback: Despite expanded legal protection, whistle blowers often pay a high price for exercising their consciences. Americans have long deplored “squealing,” and we tend to ignore violations, partly out of fear of retribution.

46. Which of the following statements is true of the False Claims Act?

- A. It creates new crimes and raises penalties to as much as 25 years of imprisonment along with heavy fines.
- B. It forbids fraud in government contracts and rewards those who help stop fraud.
- C. It requires publicly traded companies to establish internal control systems designed to assure the accuracy of financial information.
- D. It requires publicly traded companies to disclose whether they have adopted an ethics code for senior financial management, and if not, why they have not done so.

Answer: B

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-10 Discuss some of the risks and rewards of whistle-blowing.

Topic: Whistle Blowing

Feedback: Many federal statutes include whistle bower provisions and the federal False Claims Act rewards those who help stop fraud involving government contracts. Whistle blowers typically are entitled to 10 to 30 percent of the recovery from the wrongdoer.

47. Which among the following acts expressly forbids discharge, demotion, and other forms of retribution against securities law whistle-blowers?

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- A. The Sarbanes-Oxley Act
- B. The Dodd-Frank Wall Street Reform and Consumer Protection Act
- C. The Trust Indenture Act
- D. The Jumpstart Our Business Startups Act

Answer: B

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-10 Discuss some of the risks and rewards of whistle-blowing.

Topic: Whistle Blowing

Feedback: Despite expanded legal protection, whistle-blowers often pay a high price for exercising their consciences. The Dodd–Frank Wall Street Reform and Consumer Protection Act expressly forbids discharge, demotion, and other forms of retribution against securities law whistle-blowers; other federal laws, such as Sarbanes–Oxley, provide varying degrees of protection in some other areas of enforcement.

Essay Questions

48. Explain how religion, libertarianism, and virtue ethics influence contemporary moral analysis.

Answer: a. Religion: Judeo-Christian beliefs, Islam, Confucianism, Buddhism, and other faiths are powerful ethical voices in contemporary life. They often feature efforts such as the Golden Rule to build absolute and universal standards. Scholarly studies indicate that most American managers believe in the Golden Rule and take it to be their most meaningful moral guidepost. From a religious point of view, the deity's laws are absolutes that must shape the whole of one's life, including work. Faith, rather than reason, intuition, or secular knowledge, provides the foundation for a moral life built on religion.

b. Libertarianism: Contemporary philosopher Robert Nozick built an ethical theory rooted in personal liberty. He stated that morality coincided with the maximization of personal freedom. Justice and fairness, right and wrong are measured not by equality of results (such as wealth) for all but by ensuring equal opportunity for all to engage in informed choices about their own welfare. Nozick took essentially a free market stance toward ethics.

c. Virtue ethics: In recent years, an increasing number of philosophers have argued that the key to good ethics lies not in rules, rights, and responsibilities but in the classic notion of character. As Plato and Aristotle argued, attention should be given to strategies for encouraging desirable character traits such as honesty, fairness, compassion, and generosity. Aristotle believed that virtue could be taught much as any other skill. Virtue ethics applauds the person who is motivated to do the right thing and who cultivates that motivation in daily conduct. Such individuals are more morally reliable than those who simply follow the rules but fail to inspect, strengthen, and preserve their own personal virtues.

AACSB: Analytical Thinking

AACSB: Ethics

Blooms: Understand

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Difficulty: 2 Medium

Learning Objective: 02-03 Discuss the leading ethical decision-making theories.

Topic: Ethics Theories

49. Differentiate between teleology and deontology. Give an example of each.

Answer: Teleological ethical systems (often referred to as consequentialist ethical systems) are concerned with the consequences, the results, of an act rather than the act itself. A teleological view of life concerns itself with ends, goals, and the ultimate good. Duty and obligation are subordinated to the production of what is good or desirable. For the teleologist or consequentialist, the end is primary and that end or result is the measure of the ethical quality of a decision or act. For example, Sarah is the president of a company. Her goal is to make her business more profitable. She believes it would be better if all employees took a 10 percent pay cut instead of laying off 10 percent of the workers, as this would benefit the greatest number of people and would not severely harm anyone.

To the deontologist, on the other hand, principle is primary and consequence is secondary or even irrelevant. Maximizing right rather than good is the deontological standard. The deontologist might well refuse to lie even if doing so would maximize good. Deontology is derived from the Greek word meaning duty and is directed toward what ought to be and toward what is right. Relationships among people are important because they give rise to duties. Deontology considers motives. For example, why a crime was committed may be more important than the actual consequences of the crime.

AACSB: Analytical Thinking

AACSB: Ethics

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.

Topic: Ethics Theories

50. Explain in detail the alternative theory of morality that involves decision making by emotion or intuition.

Answer: In recent years, new psychological and neuroscience evidence has supported an alternative theory of morality that involves decision making by emotion or intuition. The emotion or intuition approach claims that moral decision making is an automatic, nonreflective process in which our minds, when confronted with a moral question, instantaneously generate feelings of approval or disapproval.

Moral theorist Marc Hauser claims that our brains are biologically endowed with a moral faculty that has evolved over eons and is designed to reach very rapid judgments about right and wrong based on unconscious processes that are involuntary and universal. Thus, when we judge an action to be morally right or wrong, Hauser says we are doing so instinctively, using our inborn moral faculty. Even babies seem to make moral judgments. Experiments show that 6- and 10-month-old infants overwhelmingly prefer helping characters (objects manipulated like puppets in helping or hindering situations) over neutral characters and neutral characters are preferred over those who actively hinder others.

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AACSB: Ethics

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Describe Kohlberg's theory of moral development.

Topic: Introduction: Why Do Some Managers Cheat?

51. Explain the basis of Carol Gilligan's criticism on Kohlberg's views on moral development.

Answer: Kohlberg's model is based on extensive longitudinal and cross-cultural studies over more than three decades. For example, one set of Chicago-area boys was interviewed at 3-year intervals for 20 years. Thus, the stages of moral growth exhibit "definite empirical characteristics" such that Kohlberg was able to claim that his model had been scientifically validated. Although many critics remain, the evidence, in sum, supports Kohlberg's general proposition.

One of those lines of criticism requires a brief inspection. Kohlberg's colleague Carol Gilligan contends that our conceptions of morality are, in substantial part, gender-based. She claims that men typically approach morality as a function of justice, impartiality, and rights (the ethic of justice), whereas women are more likely to build a morality based on care, support, and responsiveness (the ethic of care). Men, she says, tend to take an impersonal, universal view of morality as contrasted with the feminine "voice" that rises more commonly from relationships and concern for the specific needs of others. Gilligan criticizes Kohlberg because his highest stages, 5 and 6, are structured in terms of the male approach to morality while the feminine voice falls at stage 3. Furthermore, Kohlberg's initial experimental subjects were limited to young males. The result, in Gilligan's view, is that women are underscored. Of course, a danger in the ethic of care is that it might be interpreted to restore and legitimize the stereotype of women as care giving subordinates not deserving of moral autonomy. Subsequent research both challenges and supports Gilligan's view.

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Describe Kohlberg's theory of moral development.

Topic: Introduction: Why Do Some Managers Cheat?

52. Describe some of the factors that encourage unethical behavior in the workplace.

Answer: Scholars argue that some individuals are better prepared to make ethical judgments than others. Psychologist Lawrence Kohlberg built and empirically tested a comprehensive theory of moral development in which he claimed that moral judgment evolves and improves primarily as a function of age and education. In contrast, the emotion or intuition approach claims that moral decision making is an automatic, nonreflective process in which our minds, when confronted with a moral question, instantaneously generate feelings of approval or disapproval. Individual character is an important determinant of corporate misconduct, but substantial scientific evidence and scholarly opinion support the view that organizational culture is also highly influential. Unfortunately, only 10 percent of American companies demonstrate the characteristics that are associated with a "strong ethical culture" according to a 2007 Ethics Resource Center study. Pressure to cheat is often cited as evidence of an

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organization's ethical culture. A near-record 13 percent of American for-profit workers "perceived pressure to compromise standards in order to do their jobs" according to the 2011 National Business Ethics Survey. Employees also feel that their bosses are crucial in setting the ethical climate in an organization.

AACSB: Analytical Thinking

AACSB: Ethics

Blooms: Understand

Difficulty: 3 Hard

Learning Objective: 02-06 Describe Kohlberg's theory of moral development.

Learning Objective: 02-07 Describe some of the forces that encourage unethical behavior in the workplace.

Topic: Why Do Some Managers Cheat?

53. Identify the major provisions of the 2002 Sarbanes-Oxley Act.

Answer: The Sarbanes-Oxley Act of 2002:

- a. establishes an independent board to oversee the accounting profession.
- b. requires corporate executives to personally certify the accuracy of their financial reports.
- c. creates new crimes and raises penalties.
- d. requires publicly traded companies to establish internal control systems designed to assure the accuracy of financial information.
- e. requires publicly traded companies to disclose whether they have adopted an ethics code for senior financial management, and if not, why they have not done so.

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-08 Explain the general purpose of ethics codes in the workplace.

Topic: Introduction: Corporate/White-Collar Crime

54. Explain in brief the federal sentencing guidelines issued by the U.S. Sentencing Commission.

Answer: Federal sentencing guidelines, issued by the U.S. Sentencing Commission, provide ranges (e.g., 10–12 months imprisonment) within which judges are advised to impose sentences. Relying on the crime's "offense level" and the defendant's criminal history, the punishment range for each category of both white-collar and street crime is established. The guidelines are designed to provide greater predictability and consistency in punishment. Companies must develop programs to prevent and detect crime, provide ethics training, and monitor the success of compliance efforts. Companies involved in crimes may receive reduced penalties if they have effective compliance programs in place. Responsibility for compliance rests explicitly with the board of directors and top-level executives. Directors and officers complying with the guidelines may receive leniency while those engaging in aggravating behaviors such as a leadership role in crime may face increased punishment. Of course, the challenges of maintaining close, effective compliance in extended, complex giants such as Enron and McDonald's are formidable.

AACSB: Analytical Thinking

Blooms: Understand

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Difficulty: 2 Medium

Learning Objective: 02-08 Explain the general purpose of ethics codes in the workplace.

Topic: Introduction: Corporate/White-Collar Crime

55. What is a major criticism of the Foreign Corrupt Practices Act?

Answer: The Foreign Corrupt Practices Act (FCPA) has been controversial from the outset. Some businesspeople see it as a blessing both because it is an honorable attempt at a firm's moral stance and because it is often useful for an American businessperson abroad to refuse doing a particular act by saying that the law forbids him from doing that. On the other hand, some have seen the act as damaging to American competitiveness. Now other nations are recognizing that corruption is a great risk to the global economy. Once believing that bribery aided the poor, most industrial countries are now moving toward the zero tolerance view held by the United States.

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-09 Explain the general requirements of the Foreign Corrupt Practices Act.

Topic: Global Bribery