

***Chapter 2***  
***The Evolving Complexities of Business Ethics***

***Multiple Choice Questions***

1. The tax shelter established by Promogroup is based on \_\_\_\_\_ of royalties that go into and leave the Netherlands.

- a. **the simple flow**
- b. the net present value
- c. discounted cash flow
- d. internal rate of return

2. The country in which the holding company is established for Promogroup clients is \_\_\_\_\_.

- a. German
- b. British
- c. **Dutch**
- d. Japanese

3. All of the following are mentioned in the opening case as Promogroup clients EXCEPT:

- a. U2
- b. The Rolling Stones
- c. Elvis Presley
- d. **Bon Jovi**

4. The Dutch tax shelters are viable only to artists who are \_\_\_\_\_.

- a. U.S. citizens
- b. only Dutch citizens
- c. **not U.S. citizens**
- d. only German citizens

5. Approximately what percentage of U2's revenue is generated outside their native Ireland?

- a. 65 %
- b. 75 %
- c. 85 %
- d. **95 %**

6. \_\_\_\_\_ is derived from the Greek word for character.

- a. Honor
- b. Reciprocity
- c. **Ethos**

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d. Norm

7. The discovery of ethics began with discussions initiated by all of the following individuals EXCEPT:

- a. Socrates
- b. Aristotle
- c. Plato
- d. Napoleon**

8. Which philosopher stated that a person is not complete until that person is a contributing member of society?

- a. Socrates
- b. Aristotle**
- c. Plato
- d. Napoleon

9. In which era did the environment and drug use among employees begin to become dilemmas for employers?

- a. 1960s**
- b. 1970s
- c. 1980s
- d. 1990s

10. The decade of the \_\_\_\_\_ was a time when companies began to cover up their wrong doings rather than deal with the issues head-on.

- a. 1960s
- b. 1970s**
- c. 1980s
- d. 1990s

11. The Ethics Resource Center helped for the first business ethics office at General Dynamics in \_\_\_\_\_.

- a. 1965
- b. 1975
- c. 1985**
- d. 1995

12. The most significant event of the U.S. during the 2000s was the passage of the \_\_\_\_\_.

- a. Civil Rights Act
- b. Sherman Antitrust Act
- c. Foreign Corrupt Practices Act
- d. Sarbanes-Oxley Act**

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13. The term \_\_\_\_\_ is defined by the Merriam-Webster dictionary as “a firm adherence to a code of especially moral or artistic values.”

- a. reciprocity
- b. accountability
- c. **integrity**
- d. commitment

14. Integrity is derived from the Latin word integri, which means \_\_\_\_\_.

- a. reciprocity
- b. **wholeness**
- c. commitment
- d. reliability

15. All of the following are types of tests that an individual can use to evaluate the integrity of his or her actions EXCEPT:

- a. publicity
- b. **reliability**
- c. trusted friend
- d. Golden Rule

16. The \_\_\_\_\_ test is based on the scenario of whether the individual is comfortable if his or her actions were publicized in a newspaper or on television.

- a. universality
- b. trusted friend
- c. **publicity**
- d. Golden Rule

17. The \_\_\_\_\_ test is also known as the Golden Rule.

- a. universality
- b. **reciprocity test**
- c. publicity test
- d. universality test

18. All of the following represent one of the thirteen behaviors that can help identify the level of integrity in individual action EXCEPT:

- a. reproaching just acts
- b. processing humility
- c. **maintaining reciprocity**
- d. take responsibility

19. Refusing to perform any act that would be considered unjust is an example of which of the following specific behaviors of high integrity?

- a. **reproaching just acts**
- b. processing humility

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- c. maintaining reciprocity
- d. take responsibility

20. All of the following are examples of avenues which unintentional unethical behavior may be developed EXCEPT:

- a. Implicit Prejudice
- b. In-Group Favoritism
- c. **Maximizing Reciprocity**
- d. Claiming Credit for Others Actions

21. Gender and ethnic biases can be common \_\_\_\_\_.

- a. **Implicit Prejudice**
- b. In-Group Favoritism
- c. Reciprocity Acts
- d. Conflicts of Interest

22. \_\_\_\_\_ occurs when the decision maker forms a bias toward individuals in the same group as the decision maker.

- a. Implicit Prejudice
- b. **In-Group Favoritism**
- c. Reciprocity
- d. Conflicts of Interest

23. In a global study measuring different components of cheating, it was discovered that \_\_\_\_\_.

- a. cheating occurred more in corrupt countries.
- b. cheating occurred more in developed countries.
- c. women were more likely to act upon and support cheating than men.
- d. **cheating occurred regardless of the level of corruption within a country.**

24. Based on the findings of the 2009 National Business Ethics Survey, \_\_\_\_\_ has a less positive view of the company's ethical culture and were less likely to report unethical activities.

- a. Implicit Prejudice
- b. In-Group Favoritism
- c. Reciprocity
- d. **Conflicts of Interest**

### **True/False Questions**

25. The tax shelter established by the Promogroup is based on the simple flow of royalties that go into and leave the Netherlands.

- a. **True**
- b. False

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26. The Dutch tax shelters are viable only to artists who are U.S. citizens.

- a. True
- b. False**

27. Ninety five percent of U2's revenue, which includes concert ticket sales and record sales, is earned outside Ireland.

- a. True**
- b. False

28. During the 1950s, the most significant event in the United States was the passage of the Sarbanes-Oxley Act.

- a. True
- b. False**

29. The Ethics Resource Center helped for the first business ethics office at General Dynamics ini 1985.

- a. True**
- b. False

30. Integrity is derived from the Latin word integri, which means wholesome.

- a. True**
- b. False

31. The publicity test of integrity is based on the scenario that the individual would be comfortable in telling his or her best friend or a close family member about his or her actions.

- a. True
- b. False**

32. The universality test of integrity draws on the belief of whether the individual would consider it acceptable behavior if anyone in the world did the same action.

- a. True**
- b. False

33. The obituary test of integrity is also called the Golden Rule.

- a. True
- b. False**

34. "Maintaining the ability to be concerned about the greater good" is a specific behavior that can help identify the level of integrity in individual actions.

- a. True**
- b. False

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35. The illusion of objectivity occurs when a decision maker believes that his or her decisions are free of biases.

- a. **True**
- b. False

36. Gender and ethics can be common implicit justices.

- a. **True**
- b. False

37. When a decision maker forms a bias toward individuals in the same group as the decision maker, in-group favoritism is taking place.

- a. **True**
- b. False

38. A conflict of interest can unintentionally shift the focus as to what courses of actions should be considered.

- a. **True**
- b. False

39. In the global study measuring different components of cheating, there is a strong positive correlation between cheating and the level of corruption in a country.

- a. True
- b. **False**

## Essay Questions

40. In a short essay, describe the significant developments in business ethics during the 1960's, 1970's, 1980's, 1990's and 2000's.

The climate of today's business ethics has seen a real change from those initial discussions that were made centuries ago. During each decade, we have been faced with turbulent ethical times. In the 1960s, the climate of business ethics was more of a period of social unrest. This era showed the birth of corporate social responsibility movement, with corporations beginning to establish codes of conduct to help deal with newfound problems among employees and employers. The economy of the 1970s suffered a recession, and then unemployment rate rose dramatically during this time. This was a time when companies began to cover up their wrongdoings rather than deal with the issues head-on. The era of the 1980s showed a time when financial fraud surfaced through the savings and loan scandal. The 1990s saw an outgrowth of global opportunities for companies, but they were not without concerns. Unsafe work practices, child labor issues, and environmental issues gained prominence. At the new millennium, unethical companies began to surface, wrought with financial mismanagement problems. The most significant event in the United States was the passage of the Sarbanes-Oxley

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Act in 2002, which attempted to control the financial mismanagement issues eroding the integrity and confident of corporations and their stakeholders.

41. In a short essay, define integrity and explain the role of integrity in the corporation.

The underlying assumption of the role of employees within the organization is a deeply level of organizational commitment. That commitment generates an attitude in which the employees can be passionate about their effort and the overall commitment of the firm. After they leave the firm, the employees want to believe that there is a legacy of their contribution to the success of the firm. It is this commitment, passion, and dedication that drive employees to a high level of integrity within their work setting. Integrity is based on employees' continuous efforts to balance their personal values with the requirements to perform their jobs effectively throughout their careers.

42. List and describe five tests used to measure integrity.

- a. Publicity test – based on the scenario of whether the individual would be comfortable if his or her actions were publicized in a newspaper or on television.
- b. Trusted friend test – based on the scenario that the individual would be comfortable in telling his or her best friend or a close family member about his or her actions.
- c. Reciprocity test (also known as the Golden Rule) – asks whether the individual treats other as he or she would like to be treated.
- d. Universality test – draws on the belief of whether the individual would consider it acceptable behavior if anyone in the world did the same action.
- e. Obituary test – asks the individual to look back in hindsight on one's previous actions over the course of one's career and ask if he or she is comfortable with the evaluation.

43. Donald Zauderer listed thirteen specific behaviors that can help identify the level of integrity in individual actions. In a short essay, list and discuss seven of these specific behaviors.

- a. Process humility – an individual should be humble in his or her actions when interacting with others.
- b. Maintain concern for the greater good – an individual should always make decisions that benefit the firm overall.
- c. Be truthful – an individual should always be truthful not only in his or her statements, but also in his or her actions.
- d. Fulfill commitments – an individual should always make a good-faith effort to fulfill all the commitments the individual promised to complete.
- e. Strive for fairness – an individual should make decisions that are fair to everyone who can be impacted by the decision.
- f. Take responsibility – an individual should always take full responsibility for one's own actions.

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- g. Have respect for the individual – an individual should respect the interest and actions of others.
- h. Celebrate the good fortune of others – an individual should share the joy in another person's accomplishments.
- i. Develop others – an individual should be able to support the employee development of other employees within the organization.
- g. Reproach unjust acts – an individual should refuse to perform any act that he or she would consider to be unjust.
- h. Be forgiving – an individual should let go of past actions that have had a negative impact.
- i. Extend self for others – an individual should help and provide assistance to others in a time of need.

44. In a short essay, list and discuss the four avenues along which unintentional unethical behavior may be developed.

- a. Implicit justice – this is a bias that occurs based on unconscious beliefs. A common bias occurs when a decision maker supports the decision pertaining to a person by relying on unconscious stereotypes or the unconscious comparison of past behavior to a person in the past that had similar characteristics with a person currently working for the organization.
- b. In-group favoritism – occurs when the decision maker forms a bias toward individuals in the same “group” as the decision maker. For example, a manager may be more helpful to subordinates who have a good personal relationship with the boss.
- c. Claiming credit for others' actions – occurs when the decision makers believe that they are above average in their job duties, responsibilities, and general intellect, which results in above average performance.
- d. Conflicts of interest – this bias occurs when there is a conflict of interest and the decision maker favors a solution in which there would be personal benefits. A conflict of interest can unintentionally shift the focus as to what course of action should be considered.