

Entrepreneurship and Effective Small Business Management, 11e (Scarborough)
Chapter 2 Ethics and Social Responsibility: Doing the Right Thing

1) _____ are the various groups and individuals who affect and are affected by a business.

- A) Consequentialists
- B) Workers
- C) Stakeholders
- D) Objectivists

Answer: C

Page Ref: 38

Topic: Introduction

AACSB: Ethical Reasoning

2) _____ involves the moral values and behavioral standards that businesspeople draw on as they make decisions and solve problems.

- A) Business ethics
- B) Social responsibility
- C) Moral responsibility
- D) Law

Answer: A

Page Ref: 38

Topic: Introduction

AACSB: Ethical Reasoning

3) The concept of social responsibility has evolved from that of a nebulous "do-gooder" to one of:

- A) "law follower."
- B) "social steward."
- C) "moral steward."
- D) "law abider."

Answer: B

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Topic: Social Responsibility

AACSB: Ethical Reasoning

4) Doing what is "right" as opposed to what is "wrong" is:

- A) the law.
- B) ethical behavior.
- C) legal behavior.
- D) business behavior.

Answer: B

Page Ref: 38

Topic: Introduction

AACSB: Ethical Reasoning

5) A company's suppliers are:

- A) stockholders.
- B) bondholders.
- C) stakeholders.
- D) None of the above

Answer: C

Page Ref: 38

Topic: Introduction

AACSB: Ethical Reasoning

6) Which one of the following is a company's stakeholder?

- A) Employees
- B) Unions
- C) Investors
- D) All of the above

Answer: D

Page Ref: 38

Topic: Introduction

AACSB: Ethical Reasoning

7) What is a violation of Title VII of the Civil Rights Act of 1964?

- A) Sex discrimination
- B) Sexual harassment
- C) AIDS discrimination
- D) None of the above

Answer: B

Page Ref: 60

Topic: Business's Responsibility to Employees

AACSB: Ethical Reasoning

8) The moral values and behavioral standards business people employ daily when making decisions and solving problems are known as:

- A) social responsibility.
- B) business ethics.
- C) the corporate culture.
- D) the company policies and procedures.

Answer: B

Page Ref: 38

Topic: Introduction

AACSB: Ethical Reasoning

9) The various groups who affect and are affected by the decisions and actions of a small business are called:

- A) suppliers.
- B) stakeholders.
- C) minorities.
- D) intermediaries.

Answer: B

Page Ref: 38

Topic: Introduction

AACSB: Ethical Reasoning

10) Over the past few decades, business leaders have, in general, become more proactive in terms of implementing the organizational characteristics of:

- A) moral management.
- B) amoral management.
- C) immoral management.
- D) ethical norms.

Answer: D

Page Ref: 42

Topic: The Benefits of Moral Management

AACSB: Ethical Reasoning

11) _____ dilemmas lurk in even the most mundane decisions that entrepreneurs make every day.

- A) Legal
- B) Ethical
- C) Spiritual
- D) Global

Answer: B

Page Ref: 39

Topic: An Ethical Perspective

AACSB: Ethical Reasoning

12) Once a manager recognizes the ethical dimensions involved in a dilemma or decision, his/her next step in establishing a workable ethical framework to guide him/her would be to:

- A) identify key stakeholders and assess how the decision will affect them.
- B) generate alternative choices.
- C) distinguish between ethical and unethical responses to the situation.
- D) determine who is most responsible for making and implementing the decision.

Answer: A

Page Ref: 43

Topic: Establishing an Ethical Framework

AACSB: Ethical Reasoning

13) The ultimate decision on whether to abide by ethical principles in any given situation rests with:

- A) the manager.
- B) the business owner.
- C) the individual.
- D) stakeholders.

Answer: C

Page Ref: 41

Topic: An Ethical Perspective

AACSB: Ethical Reasoning

14) Those who can most influence individual behavior within a small company and set the moral and ethical tone of a company are its:

- A) customers.
- B) managers or owners.
- C) employees.
- D) human resource managers.

Answer: B

Page Ref: 41

Topic: An Ethical Perspective

AACSB: Ethical Reasoning

15) The practice of moral management by the small business generally results in:

- A) a stronger competitive position.
- B) a weaker competitive position.
- C) increased governmental scrutiny of the company's business practices.
- D) lower operating costs and increased employee satisfaction.

Answer: A

Page Ref: 42

Topic: The Benefits of Moral Management

AACSB: Ethical Reasoning

16) "Everybody does it." is an example of:

- A) moral blindness.
- B) justice.
- C) consequences and outcomes.
- D) public justification.

Answer: A

Page Ref: 46

Topic: Why Ethical Lapses Occur

AACSB: Ethical Reasoning

17) To cope successfully with the many ethical decisions they face, entrepreneurs must develop a _____ ethical framework to guide themselves and the organization.

- A) loose
- B) workable
- C) tight
- D) flexible

Answer: B

Page Ref: 43

Topic: Establishing an Ethical Framework

AACSB: Ethical Reasoning

18) Ricardo disapproves of an advertising campaign featuring scantily clad models in suggestive poses with his company's product. Ricardo is practicing _____ ethical management.

- A) immoral
- B) amoral
- C) moral
- D) socially irresponsible

Answer: C

Page Ref: 42

Topic: The Benefits of Moral Management

AACSB: Reflective Thinking

19) Ethical lapses happen for a number of reasons. Joan made an unethical decision. When confronted with it by her boss, she couldn't understand why he was upset because "Everyone does it." This is an example of an ethical lapse due to:

- A) a "bad apple."
- B) a "bad barrel."
- C) opportunity pressures.
- D) competitive pressures.

Answer: A

Page Ref: 45

Topic: Why Ethical Lapses Occur

AACSB: Ethical Reasoning

20) Ethical lapses caused by a chance to "get ahead" by taking some unethical action come about because of:

- A) a "bad apple."
- B) a "bad barrel."
- C) opportunity pressures.
- D) competitive pressures.

Answer: C

Page Ref: 46

Topic: Opportunity Pressures

AACSB: Ethical Reasoning

21) There are a number of "tests" of ethical behavior in business. The one that prioritizes choosing the option that results in the greatest good for the greatest number of people is known as:

- A) the utilitarian principle.
- B) the professional ethic.
- C) the Golden Rule.
- D) Kant's categorical imperative.

Answer: A

Page Ref: 47

Topic: Establishing and Maintaining Ethical Standards

AACSB: Ethical Reasoning

22) If your ethical conduct is based on treating other people the way you expect them to treat you, you are using:

- A) the family test.
- B) the professional ethic.
- C) the Golden Rule.
- D) Kant's categorical imperative.

Answer: C

Page Ref: 47

Topic: Establishing and Maintaining Ethical Standards

AACSB: Ethical Reasoning

23) The ethical standards test of ethical behavior in businesses that prioritizes acting in such a way that the action taken under the circumstances could be a universal law or rule of behavior is called:

- A) the family test.
- B) the professional ethic.
- C) the Golden Rule.
- D) Kant's categorical imperative.

Answer: D

Page Ref: 47

Topic: Establishing and Maintaining Ethical Standards

AACSB: Ethical Reasoning

24) A company "Code of Ethics" refers to:

A) the awareness of a company's management of the social, environmental, political, and human, as well as the financial, consequences that its actions produce.

B) the moral values and behavioral standards business people employ daily when making decisions and solving problems.

C) a formal statement of the standards of behavior and ethical principles a company expects its employees to abide by.

D) the process of bringing land, labor, and capital together, and of assuming the risks involved in producing a good or service in the hope of making a profit.

Answer: C

Page Ref: 48

Topic: Develop a Code of Ethics

AACSB: Ethical Reasoning

25) Robin works hard at acting on principle and conviction and striving to do the honorable thing. Robin is guided by the ethical principle of:

A) honesty.

B) integrity.

C) fidelity.

D) fairness.

Answer: B

Page Ref: 48

Topic: Table 2.5

AACSB: Ethical Reasoning

26) A number of things can be done in order to integrate ethical principles into a company, such as:

A) limiting diversity in their hiring.

B) establishing a legalistic and rigid set of rules and ensuring obedience to them.

C) creating a one-way communication culture, clearly communicating expectations.

D) the conduct of top managers setting impeccable ethical examples.

Answer: D

Page Ref: 49

Topic: Establishing Ethical Standards

AACSB: Ethical Reasoning

27) The entrepreneur can implement and maintain ethical standards by:

A) performing periodic ethical audits.

B) making examples of clearly visible violators.

C) handing down a strict code of ethics established by upper management.

D) doing all of these.

Answer: A

Page Ref: 49

Topic: Perform Periodic Ethical Audits

AACSB: Ethical Reasoning

28) This term denotes the awareness of a company's management of the social, environmental, political, human, and financial consequences that its actions produce.

- A) Company policies and procedures
- B) The corporate culture
- C) Social responsibility
- D) Business ethics

Answer: C

Page Ref: 52

Topic: Social Responsibility

AACSB: Ethical Reasoning

29) Perhaps the best way to deal with the environmental challenges we face would be to:

- A) create redesigned, "clean" manufacturing systems.
- B) conduct corporate education programs on the issues for employees.
- C) revert society to a simpler, more environmentally friendly economy.
- D) enhance efforts at recycling existing waste.

Answer: A

Page Ref: 54

Topic: Businesses' Responsibility to the Environment

AACSB: Ethical Reasoning

30) If the small business owner wants to demonstrate that the company is serious about its responsibility toward employees, he/she should:

- A) focus on creating the maximum return on investment.
- B) listen to employees and involve them in decision making.
- C) begin a reengineering effort to improve productivity.
- D) decrease the cultural diversity in his/her company.

Answer: B

Page Ref: 54

Topic: Business's Responsibility to Employees

AACSB: Ethical Reasoning

31) A _____ defines the values underlying the entire company and its ethical responsibilities to its stakeholders.

- A) fidelity
- B) promise-keeping
- C) company credo
- D) code of ethics

Answer: C

Page Ref: 47

Topic: Establishing and Maintaining Ethical Standards

AACSB: Ethical Reasoning

- 32) Cultural diversity in the small business brings several benefits to its owner, including:
- A) less government scrutiny of his/her business practices.
 - B) local and state tax breaks.
 - C) a smaller but better educated and skilled labor force from which to hire new employees.
 - D) a rich blend of perspectives, skills, and talents.

Answer: D

Page Ref: 55

Topic: Cultural Diversity in the Workplace

AACSB: Multicultural and Diversity

- 33) Managing diversity in the workforce means managers need to:
- A) hire more minorities and fewer non-minorities.
 - B) create an environment in which all types of workers can flourish.
 - C) establish affirmative action programs.
 - D) strive for more homogeneity in the workforce.

Answer: B

Page Ref: 55

Topic: Cultural Diversity in the Workplace

AACSB: Multicultural and Diversity

- 34) Managing diversity begins with:
- A) concentrating on communication.
 - B) recognizing your own biases and stereotypes.
 - C) valuing diversity as a core company value.
 - D) assessing your company's diversity needs.

Answer: D

Page Ref: 56

Topic: Cultural Diversity in the Workplace

AACSB: Multicultural and Diversity

- 35) The small business owner can successfully manage diversity in his/her business by:
- A) avoiding invalid assumptions.
 - B) placing managers of the same gender or ethnic origin over workers.
 - C) treating all employees the same regardless of their cultural background.
 - D) setting quotas or goals for how many individuals from different groups should work in the company.

Answer: A

Page Ref: 57

Topic: Cultural Diversity in the Workplace

AACSB: Multicultural and Diversity

36) A _____ is a written statement of the standards of behavior and ethical principles a company expects from its employees.

- A) fidelity
- B) promise-keeping
- C) code of ethics
- D) company credo

Answer: C

Page Ref: 48

Topic: Establishing and Maintaining Ethical Standards

AACSB: Ethical Reasoning

37) A(n) _____ is a company-provided benefit designed to help reduce workplace problems such as alcoholism, drug addiction, a gambling habit, and other conflicts and to deal with them when they arise.

- A) employee assistance program (EAP)
- B) substance abuse policy
- C) drug testing program
- D) employee education program

Answer: A

Page Ref: 58

Topic: Drug Testing

AACSB: Ethical Reasoning

38) Companies can avoid drug and other related problems by including several key elements in the company drug program, such as:

- A) drug testing all employees periodically regardless of need.
- B) having a written substance abuse policy.
- C) turning supervisors into "drug police" by having them watch employees for signs of substance abuse.
- D) including all of these in the drug program.

Answer: B

Page Ref: 58

Topic: Drug Testing

AACSB: Ethical Reasoning

39) What is an EAP?

- A) It is a drug testing program for small businesses.
- B) It is a program to help employees with substance abuse and other types of personal and family problems.
- C) It is an HIV screening process used in the recruiting process.
- D) It is a type of diversity management program.

Answer: B

Page Ref: 58 and 59

Topic: Drug Testing

AACSB: Ethical Reasoning

40) _____ is any unwelcome sexual advance, request for sexual favors, and other verbal or physical sexual conduct made explicitly or implicitly as a condition of employment.

- A) Hostile harassment
- B) Quid pro quo harassment
- C) Non-employee sexual harassment
- D) Sexual harassment

Answer: D

Page Ref: 60

Topic: Sexual Harassment

AACSB: Ethical Reasoning

41) When dealing with AIDS in the workplace, small business owners should:

- A) treat AIDS-positive employees as they would any other employees with life threatening illnesses.
- B) make certain their employment policies comply with local regulations but not worry about federal regulations.
- C) require HIV screening as part of the hiring process.
- D) inform all employees when someone tests HIV positive.

Answer: A

Page Ref: 59

Topic: HIV/AIDS

AACSB: Ethical Reasoning

42) A company's AIDS policy should include:

- A) an open communication policy where all employees will be informed if someone becomes ill.
- B) a continuation of employee benefits as any other employee would have.
- C) process for dismissal of the affected employee.
- D) All of these

Answer: B

Page Ref: 59

Topic: HIV/AIDS

AACSB: Ethical Reasoning

43) Sexual harassment is a serious problem in the workplace and:

- A) about 40% of all sexual harassment in the workplace is done by females to males.
- B) is especially bad in small businesses.
- C) employers are only liable if the sexual harassment is "quid pro quo."
- D) more than 80% of the charges are brought by women.

Answer: D

Page Ref: 60

Topic: Sexual Harassment

AACSB: Ethical Reasoning

44) Marian works in an office where the male employees constantly tell sexually oriented jokes, some keep suggestive pictures on the walls of the cubicles, and several men whistle at and make lurid comments to women employees in the lunch room. This is an example of what type of sexual harassment?

- A) Quid pro quo
- B) Hostile environment
- C) Harassment by a third party
- D) None of these

Answer: B

Page Ref: 60

Topic: Sexual Harassment

AACSB: Reflective Thinking

45) Regarding sexual harassment, employers should realize that they:

- A) can be held responsible for third-party sexual harassment.
- B) are protected from liability if they are aware of a harassment problem, even if they don't take action.
- C) are not liable for sexual harassment in the workplace if they have a formal policy against it.
- D) are not liable if they didn't know it was taking place, even if one could reasonably expect them to know.

Answer: A

Page Ref: 60

Topic: Sexual Harassment

AACSB: Multicultural and Diversity

46) A _____ is one in which continuing unwelcome sexual conduct in the workplace interferes with an employee's work performance.

- A) hostile environment
- B) illegal environment
- C) sexual environment
- D) None of the above

Answer: A

Page Ref: 61

Topic: Sexual Harassment

AACSB: Multicultural and Diversity

47) In the recent Supreme Court ruling in Burlington Industries vs. Ellerth, the court held:

- A) employers were no longer liable for third-party sexual harassment.
- B) there does not have to be a superior-subordinate relationship for harassment to occur.
- C) complainants must prove intent to harass on the part of the harasser.
- D) employers are automatically liable if supervisors take tangible employment action toward the person they are harassing.

Answer: D

Page Ref: 61

Topic: Harassment by Nonemployees

AACSB: Multicultural and Diversity

48) If a manager is made aware of a sexual harassment problem, he/she should:

- A) immediately fire the person accused of the harassment.
- B) ask the complainant to approach the harasser and try to work it out.
- C) listen carefully and investigate quickly and thoroughly.
- D) make all and any findings public to protect all parties.

Answer: C

Page Ref: 61

Topic: Harassment by Nonemployees

AACSB: Multicultural and Diversity

49) The _____ suggests that the channels of communication between companies and their customers run in both directions.

- A) right to education
- B) right to be heard
- C) right to know
- D) right to choice

Answer: B

Page Ref: 67

Topic: Right to be Heard

AACSB: Communication

50) When it comes to monitoring electronic communication, especially e-mail:

- A) 80% of all organizations read employees' e-mail.
- B) supervisors may not read employees' e-mail without cause.
- C) only 15% of all companies have policies governing the use of e-mail.
- D) most employees don't know employers may read their e-mail without permission.

Answer: D

Page Ref: 64

Topic: Privacy

AACSB: Communication

51) Businesses have which of the following responsibilities to their customers?

- A) The right of choosing the products they buy and use
- B) Properly managing a diverse workforce
- C) Reducing packaging, reusing material, and recycling when possible
- D) Earning a profit while being socially responsible

Answer: A

Page Ref: 67

Topic: Businesses' Responsibility to the Customers

AACSB: Ethical Reasoning

52) The Audi 5000 sedan was reported to have sudden, violent acceleration when the transmission was put into drive. Audi first blamed the condition on drivers who didn't know how to operate the transmission, but later was forced to recall the sedan and correct the transmission problem. Audi violated which area of responsibility businesses have to their customers?

- A) Dependable packaging
- B) Product safety and quality
- C) Truthful advertising
- D) Investor confidence

Answer: B

Page Ref: 66

Topic: Right to Safety

AACSB: Reflective Thinking

53) The advertisement and resulting product, "A psychically energized weight loss program," which turned out to be a book on how to achieve a positive mental attitude, violates which responsibility to the customer?

- A) The right to know
- B) The right to safety
- C) The right to be heard
- D) the right to choose

Answer: A

Page Ref: 66

Topic: Right to Know

AACSB: Reflective Thinking

54) Small businesses have a number of responsibilities to their investors including:

- A) selling a high-quality product at a reasonable price.
- B) observing all government requirements for product manufacture.
- C) earning the lowest profits at the highest cost of production.
- D) providing an attractive return on their investments.

Answer: D

Page Ref: 67

Topic: Businesses' Responsibility to Investors

AACSB: Reflective Thinking

55) E. F. Hutton and Co. was convicted of the violation of kiting laws. Check kiting is an illegal practice involving the writing checks against money that has not arrived at the bank on which the check is drawn. Doing this violated their business responsibility in terms of:

- A) product quality.
- B) the consumer's right to know.
- C) their investors.
- D) the community.

Answer: C

Page Ref: 67

Topic: Businesses' Responsibility to Investors

AACSB: Ethical Reasoning

56) Citicorp was found guilty of violating parking laws. Parking involves complex shifts of funds between countries to avoid the payment of taxes. Citicorp maintained two sets of financial records for a parking scheme. These actions violate which area of business responsibility?

- A) Investors
- B) Consumers
- C) Community
- D) Product quality

Answer: A

Page Ref: 67

Topic: Businesses' Responsibility to Investors

AACSB: Ethical Reasoning

57) Barker Industries makes an annual donation of \$100,000 to local charities, and allows its top managers leaves of absence to serve charities involved in community service. What area of social responsibility is Barker demonstrating?

- A) Customers
- B) Environment
- C) Employees
- D) Community

Answer: D

Page Ref: 68

Topic: Businesses' Responsibility to the Community

AACSB: Ethical Reasoning

58) Leonard Stern, the chairman of Hartz Mountain, was concerned and outraged at the condition of New York City's homeless living in shelters and welfare hotels, and was determined to help them. Hartz Mountain backed loans for construction of clean, safe housing complexes, and helped create social programs to help homeless families. These efforts by Hartz Mountain are an example of a company's social responsibility to:

- A) consumers.
- B) investors.
- C) employees.
- D) the community.

Answer: D

Page Ref: 68

Topic: Businesses' Responsibility to the Community

AACSB: Ethical Reasoning

59) An entrepreneur's _____ and _____ influence the way she leads her firm through every decision that is made; every policy written; and every action taken.

- A) personal values; beliefs
- B) management; family
- C) management; finances
- D) None of the above

Answer: A

Page Ref: 39

Topic: Introduction

AACSB: Ethical Reasoning

60) Business ethics consist of:

- A) the legal state that is embodied in the employment manual and policy and procedures.
- B) the fundamental moral values and behavioral standards that form the foundation for the people of an organization as they make decisions and interact with stakeholders.
- C) the fundamental moral values and behaviors specifically for employees only.
- D) None of the above

Answer: B

Page Ref: 39

Topic: An Ethical Perspective

AACSB: Ethical Reasoning

61) Which of the following statements is correct?

- A) Entrepreneurs must recognize that actions taken which conflict with society's ethical standards incur a very high price.
- B) The reputation of a business can be harmed severely by the actions of a single employee. Trust, once broken, is difficult to mend.
- C) Customers are not likely to do business with a firm with whom they feel treated them in an unethical fashion.
- D) All of the above

Answer: D

Page Ref: 38 and 39

Topic: Introduction

AACSB: Ethical Reasoning

62) A key determinant of ethical behavior is:

- A) training.
- B) law.
- C) society.
- D) All of the above

Answer: A

Page Ref: 40

Topic: An Ethical Perspective

AACSB: Ethical Reasoning

63) Business ethics consist of the fundamental _____ values and behavioral standards that form the foundation for the people of an organization as they make decisions and interact with stakeholders.

- A) religious
- B) moral
- C) societal
- D) legal

Answer: B

Page Ref: 39

Topic: An Ethical Perspective

AACSB: Ethical Reasoning

64) To create an environment for your people that facilitates ethical behavior, an entrepreneur should:

- A) set the tone and establish and enforce policies.
- B) not need to educate.
- C) punish whistle blowers.
- D) All of the above

Answer: A

Page Ref: 45

Topic: Why Ethical Lapses Occur

AACSB: Ethical Reasoning

65) The greater the reward or the smaller the penalty for unethical acts, the greater is the probability that such behavior will occur. This refers to:

- A) competitive pressures.
- B) opportunity pressures.
- C) globalization pressures.
- D) personal pressures.

Answer: B

Page Ref: 46

Topic: Opportunity Pressures

AACSB: Ethical Reasoning

66) Mary started her dot.com business in 2005. Recently, she hired Jackie as VP of Sales and Marketing. As part of company policy, management was to give a blood test for verification of AIDS or any drug abuse. When the results came back, Mary found out that Jackie had AIDS. She was fired because the company does not tolerate having employees with AIDS.

- A) Mary had the right to fire Jackie because it is her company and she can do whatever she wants.
- B) Mary should have consulted with an attorney to find a reason for firing Jackie.
- C) Mary is in violation of discrimination laws.
- D) Mary should have requested a blood test from everyone on a quarterly basis.

Answer: C

Page Ref: 59

Topic: HIV/AIDS

AACSB: Reflective Thinking

67) Joan was hired as a sales representative. One of her responsibilities was to make outside sales calls. Over the years, she got friendly with her customers. One of the customers has been asking her for a date for a while and finally told her that she will not be getting any orders unless she goes out with him.

- A) This is in violation of sexual harassment and Joan can sue the customer.
- B) This is in violation of sexual harassment and Joan can sue her employer.
- C) This is not in violation of sexual harassment because the employer was not negligent.
- D) This is not in violation of sexual harassment because Joan liked the customer very much.

Answer: C

Page Ref: 60

Topic: Sexual Harassment

AACSB: Reflective Thinking

68) A few examples of small businesses giving back to the community are:

- A) literacy programs.
- B) food bank programs.
- C) clean environment programs.
- D) All of the above

Answer: D

Page Ref: 68

Topic: Businesses' Responsibility to the Community

AACSB: Ethical Reasoning

69) Polls show that increasingly the public is only holding companies accountable for the economic impact of their decisions, not the ethical implications.

Answer: FALSE

Page Ref: 39

Topic: Introduction

AACSB: Ethical Reasoning

70) In most situations, the ethical dilemma is clear-cut and obvious.

Answer: FALSE

Page Ref: 39

Topic: An Ethical Perspective

AACSB: Ethical Reasoning

71) Stakeholders are the individuals and groups affected by a decision.

Answer: TRUE

Page Ref: 38

Topic: Introduction

AACSB: Ethical Reasoning

72) Ethics are the fundamental moral values and behavioral standards that form the foundation for the people of an organization as they make decisions and interact with stakeholders.

Answer: TRUE

Page Ref: 39

Topic: An Ethical Perspective

AACSB: Ethical Reasoning

73) Small business owners seldom feel the pressure to violate ethical standards or to take shortcuts in their careers.

Answer: FALSE

Page Ref: 39

Topic: An Ethical Perspective

AACSB: Ethical Reasoning

74) Fortunately, for businesses, it only takes a short time to build a reputation and it takes a long time to destroy it.

Answer: FALSE

Page Ref: 39

Topic: An Ethical Perspective

AACSB: Ethical Reasoning

75) If a small business owner obeys the law, he/she can be certain that his/her actions are ethical.

Answer: FALSE

Page Ref: 40

Topic: An Ethical Perspective

AACSB: Ethical Reasoning

76) In terms of ethical behavior, the law merely establishes the minimum standard of behavior.

Answer: TRUE

Page Ref: 40

Topic: An Ethical Perspective

AACSB: Ethical Reasoning

77) The policies and procedures concerning ethical behavior in an organization serve as specific guidelines for people as they make daily decisions.

Answer: TRUE

Page Ref: 40

Topic: An Ethical Perspective

AACSB: Ethical Reasoning

78) Building a reputation for ethical behavior typically takes a long time.

Answer: TRUE

Page Ref: 39

Topic: An Ethical Perspective

AACSB: Ethical Reasoning

79) The first step in developing an ethical framework is to identify the key stakeholders.

Answer: FALSE

Page Ref: 43

Topic: Establishing an Ethical Framework

AACSB: Ethical Reasoning

80) Since ethical decisions are based on absolute standards of conduct, it is unimportant to identify the stakeholders in any specific decision when determining the ethical thing to do.

Answer: FALSE

Page Ref: 43

Topic: Establishing an Ethical Framework

AACSB: Ethical Reasoning

81) The five-step process for developing an ethical framework is very similar to the process for problem-solving in business.

Answer: TRUE

Page Ref: 43-45

Topic: Establishing an Ethical Framework

AACSB: Ethical Reasoning

82) Although companies set standards for ethical behavior, the ultimate decision on whether to abide by ethical principles rests with the individual.

Answer: TRUE

Page Ref: 43

Topic: Establishing an Ethical Framework

AACSB: Ethical Reasoning

83) While corporate culture influences employees' ethical decisions, managers have little impact on those decisions.

Answer: FALSE

Page Ref: 43

Topic: Establishing an Ethical Framework

AACSB: Ethical Reasoning

84) One of the most important groups of stakeholders that a business must satisfy is its customers.

Answer: TRUE

Page Ref: 66

Topic: Businesses' Responsibility to the Customers

AACSB: Ethical Reasoning

85) If a manager says things like, "Everyone does it" or "I don't get paid to be ethical, I get paid to produce results," he/she is suffering from moral blindness.

Answer: TRUE

Page Ref: 46

Topic: Moral Blindness

AACSB: Ethical Reasoning

86) The most effective way of diminishing moral blindness is through training.

Answer: TRUE

Page Ref: 46

Topic: Moral Blindness

AACSB: Ethical Reasoning

87) Since ethical standards are constant from one culture to another, ethical decisions pose no special problems for companies engaged in international business.

Answer: FALSE

Page Ref: 46

Topic: Globalization of Business

AACSB: Ethical Reasoning

88) Companies have the responsibility to provide investors with an attractive return on their investment.

Answer: TRUE

Page Ref: 67

Topic: Businesses' Responsibility to Investors

AACSB: Ethical Reasoning

89) Kant's categorical imperative advises managers to take only those actions that a disinterested panel of professional colleagues would view as proper.

Answer: FALSE

Page Ref: 47

Topic: Establishing Ethical Standards

AACSB: Ethical Reasoning

90) There is no universal answer for resolving ethical dilemmas.

Answer: TRUE

Page Ref: 49

Topic: Conduct Ethics Training

AACSB: Ethical Reasoning

91) If a company has a written code of ethics and provides clear instructions to employees, two-way communication is unimportant in maintaining ethical standards.

Answer: FALSE

Page Ref: 48

Topic: Develop a Code of Ethics

AACSB: Ethical Reasoning

92) It is important that any ethical code is enforced fairly and consistently.

Answer: TRUE

Page Ref: 48

Topic: Develop a Code of Ethics

AACSB: Ethical Reasoning

93) The best insurance against ethical violations is the hiring of people with strong moral principles.

Answer: TRUE

Page Ref: 722

Topic: Create a Culture that Emphasizes Two-Way Communication

AACSB: Ethical Reasoning

94) To establish and maintain the highest level of ethical standards, the company's owner should hand down the company's ethical standards and require managers to enforce them.

Answer: FALSE

Page Ref: 48

Topic: Involve Employees in Establishing Ethical Standards

AACSB: Ethical Reasoning

95) Businesses have social responsibility to several constituencies: the environment, their employees, their shareholders, the community, and their customers.

Answer: TRUE

Page Ref: 53

Topic: Businesses' Responsibility to the Environment

AACSB: Ethical Reasoning

96) Clean manufacturing systems stress recycling and reducing of materials.

Answer: FALSE

Page Ref: 54

Topic: Businesses' Responsibility to the Environment

AACSB: Ethical Reasoning

97) When it comes to carrying out its social responsibility, one of the most important constituencies to the small business is its employees.

Answer: TRUE

Page Ref: 54

Topic: Business's Responsibility to Employees

AACSB: Ethical Reasoning

98) The increasing cultural diversity in the United States is hindering the entrepreneurial effort in the economy.

Answer: FALSE

Page Ref: 55

Topic: Cultural Diversity in the Workplace

AACSB: Multicultural and Diversity

99) Consumers have the right to honest communication about the products and services they buy and the companies they buy them from.

Answer: TRUE

Page Ref: 66

Topic: Right to Know

AACSB: Multicultural and Diversity

100) Managing cultural diversity in the workforce is getting easier as society becomes more diverse.

Answer: FALSE

Page Ref: 55

Topic: Cultural Diversity in the Workplace

AACSB: Multicultural and Diversity

101) The only way to achieve diversity in the small business is to let it take care of itself as society increases in diversity.

Answer: FALSE

Page Ref: 55

Topic: Cultural Diversity in the Workplace

AACSB: Multicultural and Diversity

102) The starting point for managing diversity is learning your own biases and prejudices.

Answer: FALSE

Page Ref: 56

Topic: Cultural Diversity in the Workplace

AACSB: Multicultural and Diversity

103) The management of diversity will require ongoing adjustments of your company to your workers.

Answer: TRUE

Page Ref: 57

Topic: Cultural Diversity in the Workplace

AACSB: Multicultural and Diversity

104) One "break" small business gets over large companies is a significantly lower rate of substance abuse due to the "family-like" atmosphere that tends to prevail in small companies.

Answer: FALSE

Page Ref: 58

Topic: Drug Testing

AACSB: Ethical Reasoning

105) The majority of small companies realize they have as big a drug problem with their employees as larger companies do.

Answer: FALSE

Page Ref: 58

Topic: Drug Testing

AACSB: Ethical Reasoning

106) The use of random drug testing by small businesses is on the rise.

Answer: TRUE

Page Ref: 58

Topic: Drug Testing

AACSB: Ethical Reasoning

107) Effective drug prevention programs use random drug tests of employees and keep their drug policies unwritten for maximum flexibility.

Answer: FALSE

Page Ref: 58

Topic: Drug Testing

AACSB: Analytic Skills

108) Businesses with less than 50 employees are not subject to ADA and therefore may deal with HIV-positive and AIDS-infected employees without fear of government action.

Answer: FALSE

Page Ref: 59

Topic: HIV/AIDS

AACSB: Analytic Skills

109) AIDS is considered to be a "handicap," and AIDS-infected employees are protected against discrimination by the Americans with Disabilities Act.

Answer: TRUE

Page Ref: 59

Topic: HIV/AIDS

AACSB: Analytic Skills

110) The safest course of action for a small business to take with an employee who has AIDS is to fire him.

Answer: FALSE

Page Ref: 59

Topic: HIV/AIDS

AACSB: Analytic Skills

111) Coping with AIDS in the workplace is not like managing normal health care issues.

Answer: TRUE

Page Ref: 59

Topic: HIV/AIDS

AACSB: Analytic Skills

112) Most small business owners know exactly what their legal obligations are to employees with AIDS.

Answer: FALSE

Page Ref: 59

Topic: HIV/AIDS

AACSB: Analytic Skills

113) An employer can be held liable for sexual harassment if he/she knew or should have known of the harassment and failed to take prompt action to stop it.

Answer: TRUE

Page Ref: 60

Topic: Sexual Harassment

AACSB: Multicultural and Diversity

114) Employers can be held responsible for third-party sexual harassment if managers knew about it or should have known about it.

Answer: TRUE

Page Ref: 61

Topic: Harassment by Nonemployees

AACSB: Multicultural and Diversity

115) The best way to handle sexual harassment is to educate the employees and thereby prevent sexual harassment.

Answer: TRUE

Page Ref: 61

Topic: Sexual Harassment

AACSB: Multicultural and Diversity

116) When a manager receives a complaint about sexual harassment, his/her first step should be to keep the complaint casual and urge the complainant to return to the alleged harasser her/himself and deal with the issue that way first.

Answer: FALSE

Page Ref: 62

Topic: Harassment by Nonemployees

AACSB: Multicultural and Diversity

117) When a sexual harassment complaint is made, the company should not inform the accused until the complaint has been thoroughly investigated.

Answer: FALSE

Page Ref: 62

Topic: Harassment by Nonemployees

AACSB: Multicultural and Diversity

118) A small business's responsibility to its customers includes the customers' right to honest communication and a right to choose among competing products.

Answer: TRUE

Page Ref: 67

Topic: Businesses' Responsibility to the Customers

AACSB: Multicultural and Diversity

119) In terms of social responsibility to the consumer, consumers have a right to be heard by the company.

Answer: TRUE

Page Ref: 67

Topic: Businesses' Responsibility to the Customers: Right to be Heard

AACSB: Ethical Reasoning

120) Companies do not have an ethical obligation to inform consumers regarding their products.

Answer: FALSE

Page Ref: 67

Topic: Businesses' Responsibility to the Customers: The Right to Education

AACSB: Ethical Reasoning

121) Businesses have a responsibility to the communities in which they operate, according to your authors.

Answer: TRUE

Page Ref: 68

Topic: Businesses' Responsibility to the Community

AACSB: Ethical Reasoning

122) What managers and owners say is more important in determining employee ethical behavior than what they do.

Answer: FALSE

Page Ref: 68

Topic: Conclusion

AACSB: Ethical Reasoning

123) Employees are at the heart of increases in productivity and they add the personal touch that puts the passion in customer service.

Answer: TRUE

Page Ref: 54

Topic: Business's Responsibility to Employees

AACSB: Ethical Reasoning

124) One of the policies of sexual harassment is to not have sanctions and penalties for engaging in harassment.

Answer: FALSE

Page Ref: 60

Topic: Sexual Harassment

AACSB: Multicultural and Diversity

125) The United States Supreme Court changed the nature of an employer's liability for sexual harassment, rejecting the previous standard that the employer had to be negligent somehow to be liable for a supervisor's improper behavior toward employees.

Answer: TRUE

Page Ref: 61

Topic: Sexual Harassment

AACSB: Multicultural and Diversity

126) An employer can be held liable for third parties who engage in sexual harassment if the employer has the ability to stop the improper behavior.

Answer: TRUE

Page Ref: 61

Topic: Sexual Harassment

AACSB: Multicultural and Diversity

127) Employers should not keep employees' medical records strictly confidential.

Answer: FALSE

Page Ref: 59

Topic: HIV/AIDS

AACSB: Ethical Reasoning

128) Despite the fact that AIDS is becoming more common in the workplace, few businesses are prepared to deal with it.

Answer: TRUE

Page Ref: 59

Topic: HIV/AIDS

AACSB: Ethical Reasoning

129) Decisions based on assumptions are bound to be flawless.

Answer: FALSE

Page Ref: 57

Topic: Cultural Diversity in the Workplace

AACSB: Multicultural and Diversity

130) One of the best ways to identify your own cultural biases is to get exposure to people who are like you.

Answer: FALSE

Page Ref: 57

Topic: Cultural Diversity in the Workplace

AACSB: Multicultural and Diversity

131) Progressive companies are taking their environmental policies a step further, creating redesigned, "clean" manufacturing systems that focus on avoiding waste and pollution.

Answer: TRUE

Page Ref: 54

Topic: Businesses' Responsibility to the Environment

AACSB: Ethical Reasoning

132) Social responsibility is the awareness by a company's managers of the social, environmental, political, human, and financial consequences their actions produce.

Answer: TRUE

Page Ref: 52

Topic: Social Responsibility

AACSB: Ethical Reasoning

133) One of the best ways to evaluate the effectiveness of an ethics system is to perform periodic audits.

Answer: TRUE

Page Ref: 49

Topic: Establishing and Maintaining Ethical Standards

AACSB: Ethical Reasoning

134) A code of ethics is a written statement of the standards of behavior and ethical principles a company expects from its employees.

Answer: TRUE

Page Ref: 48

Topic: Maintaining Ethical Standards

AACSB: Ethical Reasoning

135) Business ethics consist of the fundamental moral values and behavioral standards that form the foundation for the people of an organization as they make decisions and interact with stakeholders.

Answer: TRUE

Page Ref: 39

Topic: An Ethical Perspective

AACSB: Ethical Reasoning

136) Entrepreneurs can do whatever they want and that conflictive action taken by entrepreneurs against society's ethical standards does not incur a price.

Answer: FALSE

Page Ref: 39

Topic: An Ethical Perspective

AACSB: Ethical Reasoning

137) Stockholders are the various groups and individuals who affect and are affected by a business.

Answer: FALSE

Page Ref: 38

Topic: Introduction

AACSB: Ethical Reasoning

138) Ethical behavior is concerned with doing things "right."

Answer: FALSE

Page Ref: 38

Topic: Introduction

AACSB: Ethical Reasoning

139) To cope successfully with the myriad ethical decisions they face, entrepreneurs must develop a workable ethical framework to guide themselves and the organization.

Answer: TRUE

Page Ref: 43

Topic: Establishing an Ethical Framework

AACSB: Ethical Reasoning

140) When there does not exist a positive organizational culture which stresses ethical behavior regardless of consequences, employees may respond to feelings of pressure and compromise personal ethical standards to ensure that a contract is not lost or that a project is completed on time.

Answer: TRUE

Page Ref: 46

Topic: Competitive Pressures

AACSB: Ethical Reasoning

141) Competitive pressures assumes that the greater the reward or the smaller the penalty for unethical acts, the greater is the probability that such behavior will occur.

Answer: FALSE

Page Ref: 46

Topic: Opportunity Pressures

AACSB: Ethical Reasoning

142) When customers shop for "value," they also consider the company's stance on social responsibility.

Answer: TRUE

Page Ref: 53

Topic: Social Responsibility

AACSB: Ethical Reasoning

143) Entrepreneurs must create an environment in which all types of workers—men, women, Hispanic, African American, white, disabled, homosexual, elderly, and others—can flourish and can give top performances to their companies.

Answer: TRUE

Page Ref: 55

Topic: Cultural Diversity in the Workplace

AACSB: Multicultural and Diversity

144) The United States Supreme Court changed the nature of an employer's liability for sexual harassment, accepting the previous standard that the employer had to be negligent somehow to be liable for a supervisor's improper behavior toward employees.

Answer: FALSE

Page Ref: 61

Topic: Sexual Harassment

AACSB: Multicultural and Diversity

145) Define the key terms: stakeholders and business ethics.

Answer: Stakeholders are the various groups and individuals who affect and are affected by a business. Business ethics involves the moral values and behavioral standards that businesspeople draw on as they make decisions and solve problems.

Page Ref: 38

Topic: Introduction

AACSB: Reflective Thinking

146) Describe the three levels of ethical standards.

Answer: The three levels of ethical standards are (1) the law, (2) the policies and procedures of the company, and (3) the moral stance of the individual.

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Topic: Establishing Ethical Standards

AACSB: Reflective Thinking

147) Your authors suggest a five-step process for developing an ethical framework. Identify and explain each of the five steps.

Answer: 1) Identify the personal moral and ethical principles that shape all business decisions. 2) Recognize the ethical dimensions involved in the dilemma or decision. 3) Identify the key stakeholders involved and determine how the decision will affect them. 4) Generate alternative choices and distinguish between ethical and unethical responses. 5) Choose the "best" ethical response and implement it.

Page Ref: 43-45

Topic: Establishing an Ethical Framework

AACSB: Reflective Thinking

148) What are the benefits of moral management?

Answer: Moral managers strive for success but only within the boundaries of legal and ethical standards. Moral managers are not willing to sacrifice their values and violate ethical standards just to make a profit. Managers who operate with this philosophy see the law as a minimum standard for ethical behavior.

Page Ref: 42

Topic: The Benefits of Moral Management

AACSB: Analytic Skills

149) What causes ethical lapses?

Answer: The following are the common reasons for ethical lapses: 1) An unethical employee; 2) An unethical organizational culture; 3) Moral blindness; 4) Competitive pressures; 5) Opportunity pressures; 6) Globalization of business

Page Ref: 45-46

Topic: Why Ethical Lapses Occur

AACSB: Analytic Skills

150) How can managers establish and maintain ethical principles into their companies?

Answer: A small business manager can maintain high ethical standards in the following ways:

- Set the tone
- Create a company credo
- Establish high standards of behavior
- Involve employees in establishing ethical standards
- Create a culture that emphasizes two-way communication
- Develop a code of ethics
- Enforce the code of ethics through policies
- Recruit and promote ethical employees
- Conduct ethics training
- Reward ethical conduct
- Separate related job duties
- Perform periodic ethical audits

Page Ref: 47-49

Topic: Establishing and Maintaining Ethical Standards

AACSB: Reflective Thinking

151) What are a business's responsibilities to its employees? Briefly outline and explain each.

Answer: The following are the responsibilities:

- Listening to employees and respecting their opinions.
- Asking for their input; involving them in the decision making process.
- Providing regular feedback—positive and negative—to employees.
- Telling them the truth—always.
- Letting them know exactly what's expected of them.
- Rewarding employees for performing their jobs well.
- Trusting them; creating an environment of respect and teamwork.

Page Ref: 54

Topic: Business's Responsibility to Employees

AACSB: Analytic Skills

152) What can the small business owner do to develop an effective drug prevention program?

Answer: An effective, proactive drug program should include the following four elements: 1) A written substance abuse policy. 2) Training for supervisors to detect substance-abusing workers. 3) An employee education program. 4) A drug testing program, when necessary. 5) An employee assistance program (EAP).

Page Ref: 58-59

Topic: Drug Testing

AACSB: Analytic Skills

153) What is the small business's responsibility to employees in terms of coping with AIDS in the workplace and having a legal and humane AIDS policy?

Answer: When dealing with AIDS, entrepreneurs must base their decisions on facts rather than emotions, so they must be well informed. As with drug testing, it is important to ensure that a company's AIDS policies are legal.

Page Ref: 59

Topic: HIV/AIDS

AACSB: Analytic Skills

154) What is sexual harassment? What can a small business owner do to minimize the likelihood of sexual harassment?

Answer: **Sexual harassment** is any unwelcome sexual advance, request for sexual favors, and other verbal or physical sexual conduct made explicitly or implicitly as a condition of employment. A company's best weapons against sexual harassment are education, policy, and procedures. Preventing sexual harassment is the best solution, and the key to prevention is educating employees about what constitutes sexual harassment. Have a meaningful policy against sexual harassment that management can enforce. Socially responsible companies provide a set of procedures for all employees to express their complaints.

Page Ref: 60-61

Topic: Sexual Harassment

AACSB: Analytic Skills

155) What are the small business's responsibilities to its customers?

Answer: Every company's customers have a right to safe products and services; to honest, accurate information; to be heard; to education about products and services; and to choices in the marketplace.

Page Ref: 66-67

Topic: Businesses' Responsibility to the Customers

AACSB: Analytic Skills

156) What are the small business owner's responsibilities to his/her investors and community?

Answer: Increasingly, companies are seeing a need to go beyond "doing well" to "doing good"—being socially responsible community citizens. In addition to providing jobs and creating wealth, companies contribute to the local community in many different ways.

Page Ref: 67

Topic: Businesses' Responsibility to Investors

AACSB: Analytic Skills