

INTRODUCTION

This area of study in your course for Commercial Law is not covered in the prescribed textbook.

The material chosen to cover the concept of Business Ethics is available as a free download from the following website: <http://www.managementhelp.org/ethics/ethxgde.htm>. It is about 20 pages long.

You may make a copy of this document for your own study purposes. Once you have studied this material, please answer the following questions:

SELF-TEST QUESTIONS

A. Multiple Choice Questions

Please note that you may not be able to answer all these questions directly from the notes, but if you have a good understanding of the concepts, you will be able to work out the answers.

1. Ethical issues in business typically arise because of conflicts between an individual's personal moral philosophies and values and
 - A. the values and attitudes of the organization in which he or she works.
 - B. the values and attitudes of the society in which he or she lives.
 - C. the values and attitudes of the organization in which he or she works and the society in which he or she lives.
 - D. the laws and regulations of the country in which he or she lives.
 - E. the values and attitudes of his or her parents and religion.

2. An employee for Acme, Inc., has been asked to carry out an assignment that she believes is wrong. This situation can be classified as
 - A. ethical.
 - B. unethical.
 - C. an ethical issue.
 - D. a dilemma.
 - E. a violation of the law.

3. A person uncomfortable with his employer's hiring only white men is experiencing
 - A. a conflict of interest.
 - B. an ethical issue.
 - C. a feeling of guilt.
 - D. intraorganizational conflict.
 - E. a moral attribute.

4. The principal cause of ethical compromises within business is
 - A. helping the company survive.
 - B. meeting overly aggressive financial or business objectives.
 - C. meeting schedule pressures.
 - D. saving jobs.
 - E. feeling peer pressure.

5. Opportunities for and encouragement of unethical behaviour result when
 - A. it is easy to engage in unethical behaviour.
 - B. others engage in unethical behaviour.
 - C. there is a lack of rules or a lack of enforcement of the rules that do exist.
 - D. there are too many rules.
 - E. there are no rules.

6. Taking someone else's work and presenting it as one's own without providing adequate credit or compensation to the source is an ethical issue in
 - A. the game of business.
 - B. conflict of interest.
 - C. fairness and honesty.
 - D. communications.
 - E. organizational relationships.

7. Relationships that involve the behaviour of organization members toward customers, suppliers, subordinates, superiors, peers, and others are defined as
 - A. industrial relationships.
 - B. business relationships.
 - C. organizational relationships.
 - D. ethical relationships.
 - E. social relationships.

8. It is most likely, during a takeover attempt, for a firm's managers to face an ethical issue because
 - A. their duties to the firm's owners may conflict with their personal interests.
 - B. the takeover might not be in the shareholders' best interests.
 - C. their duties to the firm's owners may conflict with the best interests of society.
 - D. their duties to the firm's owners may be illegal.
 - E. their duties to the firm's owners may conflict with their competitors' best interests.

9. An activity is probably ethical if
 - A. it is approved of by most individuals in the organization and is customary in the industry.
 - B. it is approved of by most individuals in the organization.
 - C. it is customary in the industry.
 - D. it is legal.

- E. it makes consumers feel cheated, deceived, or manipulated.
10. Kathy was being interviewed by CNN about the factors she considered to be the strongest ethical influence on her behaviour at NBC. “Well, being the CEO here I would have to say that _____ is/are the strongest influence on me relative to my work.”
- A. customer opinions
 - B. the company’s values
 - C. the company’s code of ethics
 - D. personal religious beliefs
 - E. the law
11. In general when people discover unethical behaviour in their own company they usually
- A. try to right the ethical wrong.
 - B. report it to the authorities outside the company.
 - C. mind their own business.
 - D. report it to authorities in the company.
 - E. gossip and complain about the transgressor.
12. Individuals’ personal ethics play a major role in the evaluation of business decisions only when their preferences or values
- A. differ from those of their employer.
 - B. influence their performance in the workplace.
 - C. are unethical.
 - D. are ethical.
 - E. result in negative publicity for their employer.
13. Businesses seem most concerned with ethical issues that could
- A. offend their union employees.
 - B. eliminate competition.
 - C. affect employees.
 - D. show weakness.
 - E. damage the firm.
14. An employee’s response to a moral or ethical issue depends in part on
- A. what competitors are doing.
 - B. how dumb consumers are.
 - C. what shift he or she is working.
 - D. the structure and culture of the organization.
 - E. only his or her personal moral philosophy.
15. Business ethics comprises
- A. laws and regulations that guide behaviour in the world of business.
 - B. mores, values, and customs that guide behaviour in general.
 - C. moral principles and standards that guide behaviour in the world of business.

- D. the obligations businesses assume to maximize their positive impact and minimize their negative impact on society.
 - E. the mores, values, and customs that parents teach their children.
16. The ability of a business organization to achieve its business goals is affected by whether its behaviour is judged to be right or wrong by
- A. society.
 - B. its union members.
 - C. its employees.
 - D. Parliament.
 - E. its competitors.
17. An ethical issue is a problem, situation, or opportunity
- A. that harms consumers.
 - B. that harms the environment.
 - C. requiring society to choose among several actions that must be evaluated as right or wrong.
 - D. requiring an individual or organization to choose among several actions that must be evaluated as right or wrong, ethical or unethical.
 - E. requiring an individual or organization to choose between harming consumers or the environment and earning more profits.
18. A person who is punished (or not rewarded) for unethical behaviour
- A. will be a model employee.
 - B. will quit the firm.
 - C. will be angry.
 - D. will continue to behave unethically.
 - E. is less likely to repeat the behaviour.
19. Honesty and fairness relate to the general _____ of decision makers.
- A. unethicalness
 - B. trustworthiness
 - C. ethicalness
 - D. employability
 - E. moral attributes
20. Which of the following is an example of an area of business where use of "questionable" ethics is considered a necessity?
- A. Attracting and sustaining new customers.
 - B. Aggressive accounting practices that stretch the intent of accounting standards.
 - C. Dealing with other firms who use "questionable" ethics.
 - D. Suppressing information that may negatively affect a firm's reputation.
 - E. None of the statements above is correct.

B. Short Answer Questions

1. Define business ethics.
2. Why is the study of business ethics important?
3. List the six most important ethical issues that business must deal with.
4. Give five strategies that can be used to create an ethical culture in a business.
5. How can a good corporate ethics programme help a business to be more successful?

C. Ethical Dilemmas

Question #1

You are the communications director for a medium-sized industrial company that is listed on the stock exchange, and you are asked to prepare internal and external communication strategies to announce the layoff of 25 percent of its head office staff. This reduction is to occur within the next two months. You are instructed to keep this information quiet until the actual announcement. At a neighbourhood social gathering one weekend about 10 days after you begin working on the project, a close friend – who works at your company and may be affected by the layoff – looks you straight in the eye and asks if it's true that "half the head office, including me, will be gone by this time next week."

You:

- A. Claim that you have no idea what your friend is talking about.
- B. Assure your friend that the layoffs will be only about one-fourth of the workforce, not one-half, and that they couldn't possibly happen as soon as next week.
- C. Tell your friend about all the other rumours you've heard regarding this situation.
- D. Tell your friend that even if there were going to be layoffs, it would never happen in a week because you think the company is required to provide 60 days notice to workers.
- E. Say, "If I did have such knowledge, I wouldn't be able to discuss it."

Question #2

Your company is three days away from announcing the name of its new president and CEO. Your company is publicly listed, and the board of directors is absolutely delighted with the selection of the new CEO. They believe this individual will lead the company into the next phase of its development. You have developed a communication plan for the announcement, and your board of directors has approved all activities. You expect the announcement to go well. You arrive at the office first thing in the morning and receive a phone message from a local newspaper reporter. In the message, the reporter reveals she has received a strong rumour from credible sources that identifies the new CEO. She names the person and her rumour is correct. She is writing the story for tomorrow's publication and wants to know if there is any quote that the company would like to add, or if the new CEO is available for an interview.

In handling this situation, you:

- A. Ignore the reporter's request for information and an interview and continue as planned.

- B. Call the reporter back and stall for time by saying, "I'm not really sure what you're talking about?"
- C. Call the reporter and convince her to hold onto the story for three days until the announcement is actually made.
- D. Arrange an emergency conference call with the search committee, the chair of the board of directors and the new CEO to develop a plan of action to announce the CEO's appointment that same day.

Question #3

Your small PR agency, which has a strong relationship with an advertising agency, is called in by a major client to help re-launch a product that has steadily been losing market share. The client has asked the advertising agency and, by extension, your PR agency, to employ a message of "new and improved" in the re-launch. As you work toward an extensive (and extremely expensive) marketing communications re-launch, you learn that the product has only gone through a name change and an extremely expensive packaging design. No existing product features, attributes or benefits have been improved in any way.

You:

- A. Recommend that some sort of research and/or testing be conducted to substantiate the "new and improved" message.
- B. Satisfy your client's needs by creating the most innovative, yet cost effective, communication program because you cannot afford to lose this client or damage your relationship with the advertising agency, which is your primary source of new clients and income.
- C. Discuss your concern with the client, the account director and the head of the advertising agency about the fact that the only thing "new and improved" about the product is its package. In this meeting, you request that a different approach be taken and inform them that you are prepared to resign the account, if necessary.
- D. Since this situation is covered by the caveat emptor (let the buyer beware) rule, no ethical dilemma exists.

Question #4

You are coordinating all arrangements for a three-day corporate executive off-site meeting at a resort-type conference centre in another state or province. You want to visit your preferred conference centre to evaluate first-hand the accommodations, meeting rooms, food service, recreational activities, etc. The conference centre sales manager offers you a complimentary overnight inspection visit that includes your hotel room and use of the facilities cost-free as an inducement to get your business, which she says is standard industry marketing practice. When you momentarily hesitate in accepting her offer, she says that the conference centre will also reimburse you directly for your airline ticket, but that you have to keep quiet about the airline tickets because "it's just between you and me."

You:

- A. Accept the complimentary package, including the airfare reimbursement.
- B. Call your second choice conference centre to see if they were willing to offer you the same or better complimentary package.

- C. Accept the "standard" complimentary package but decline the airfare reimbursement.
- D. Review your company's internal policies and have an open and frank discussion with your supervisor about the standard complimentary package and airfare reimbursement.

Answers to Self-Test Questions

Answers to Multiple Choice Questions

- | | | |
|------|-------|--------------------------|
| 1. A | 9. D | 17. D |
| 2. D | 10. B | 18. E |
| 3. C | 11. C | 19. C |
| 4. B | 12. B | 20. E – are questionable |
| 5. C | 13. E | ethics ever |
| 6. D | 14. D | acceptable? |
| 7. B | 15. C | |
| 8. A | 16. A | |

Answers to short answer questions

1. Business ethics can be defined as written and unwritten codes of principles and values that govern decisions and actions within a company. In the business world, the organization's culture sets standards for determining the difference between good and bad decision making and behaviour. In the most basic terms, a definition for business ethics boils down to knowing the difference between right and wrong and choosing to do what is right. The phrase 'business ethics' can be used to describe the actions of individuals within an organization, as well as the organization as a whole.
2. Students unfamiliar with ethical issues will find themselves unprepared for careers in business. Indeed, it is fair to say that students will not be fully prepared even within fields such as accounting, finance, human resource management, marketing, and management unless they are familiar with the ethical issues that arise specifically within those fields. You simply will not be prepared for a career in any area of business if you are unfamiliar with the ethical issues of these fields.
3. The six most important ethical issues that business must deal with are
 - conflicts of interest,
 - financial and accounting integrity,
 - corruption and bribery,
 - consumer and employee privacy,
 - ethical advertising and
 - bioethics.
4. Five strategies
 - strong, visible support from top management,
 - ensuring that ethical values (e.g. honesty), and not only performance values (e.g. innovation), figure prominently in mission statement and codes of conduct
 - appointing ethics officers, creating innovative ethics training formats, and setting up ethics help lines;

- carrying out ongoing evaluations/audits of ethical performance, with rewards and sanctions; and
- creating board ethics and/or corporate responsibility committees.

5. Corporate Ethics programme help organisations to:

- Avoid insolvency, fines, lawsuits and criminal charges
- Protect and strengthen sales, brand image, and reputation
- Protect the company, especially during times of stress and change
- Strengthen employee loyalty and commitment
- Avoid prescriptive government regulation
- Avoid loss of business
- Limit vulnerability to activist pressure and boycotts:
- Enjoy greater access to capital

Answers to Ethical Dilemmas

1. E
2. A
3. C
4. D