

## Business Ethics: Week 5 Solution

**01)** Risk analysis and management is one of the key components of business ethics management. According to Sison (2000), this is because the language of risk assessment has encouraged firms to spell out the risks that firms run by ignoring ethics, in terms of...?

- a. Potential reputational damage.
- b. Possible monetary impact.
- c. Likelihood of punitive governmental regulations.
- d. The firm's ability to attract and retain the best staff.
- e. all of above.

Answer=b **Feedback:** Sison suggests that the language of risk assessment has promoted the measuring of risks of unethical behaviour in terms of fines, damages and sanctions that courts can impose.

**02)** Crane and Matten identify four main types of ethical codes. Read the following carefully and choose which of the following is not one of these four main types.

- a. Professional codes of ethics (e.g., marketing).
- b. Industry codes of ethics (e.g., financial services industry).
- c. Organizational codes of ethics (code for a single organization).
- d. Accreditation codes of ethics (e.g. use of the Fairtrade mark).
- e. All of above.

**Answer=d Feedback:** This is not one of the four main types of ethical codes. Certain programmes, coalitions or other sub-groupings of organizations establish codes of ethics for those participating in specific programmes. One example of this is the CAUX Roundtable Principles for Business. Another is the example given in the question, in which conforming to a particular code is a prerequisite for using a particular label or mark of accreditation. The general term for these kinds of codes is "Programme or group codes of ethics".

**03)** Donaldson (1996) proposes principles for organizations working internationally and needing to address cultural differences when developing their ethical codes. What are these principles? Please select all that apply.

- a. Respect for key principles of the major religious traditions.
- b. Respect for local traditions.
- c. The belief that context matters when deciding what is right and wrong.
- d. Respect for core human values, which determine an absolute threshold.
- e. all of above except option a

**Answer=e Feedback:** According to Donaldson, the key question for businesses operating internationally is, 'when is different just different and when is different wrong?' Donaldson's three-principle solution proposes a middle ground between relativism and absolutism.

**04)** Which of the following is **not** one of the issues that Zadek et al (1997) have proposed as the key principles of good social accounting?

- a. Continuous improvement.
- b. External verification.
- c. Protecting the integrity of confidential data..
- d. Management policies and systems.
- e.all of above.

Answer=c **Feedback:** Zadek et al (1997) propose eight key principles of quality in good social accounting. This is not one of those principles. Following Owen and O'Dwyer (2008), this is actually a **disincentive** for social accounting

**05)** Which of the following is a scheme to tackle the specific aspect of reporting assurance in social accounting?

- a. ISO 26000
- b. SA 8000
- c. AA 1000S.

- d. ISO 14001
- e. None of above.

Answer=c **Feedback:** The AA 1000S Assurance Standard is the first attempt to provide a coherent a robust basis for assuring a public report and its underlying processes, systems and competencies against a concrete definition and principles of accountability and stakeholder engagement

**06)** What, in the eyes of critics, has come to represent the epitome of globalization?

- a. International Monetary Fund (IMF)
- b. Multinational Corporations (MNC)
- c. World Trade Organization (WTO)
- d. Less Developed Countries (LDC)
- e. All of the above

Answer=c **Feedback:** According to the views of critics, WTO process is undemocratic and lacks transparency.

**07)** The Dow Jones Sustainability Index takes a best-in-class approach, meaning the DJSI includes the following kinds of shares: Please select all that apply.

- a. Those companies identified as the sustainability leaders in each industry.
- b. Those judged to have improved their sustainability performance most over a period of time.
- c. Companies whose products promote sustainability, and/or that are themselves sustainable.
- d. Companies that have an excellent ethical record.
- e. All of the above.

Answer= a **Feedback:** The question specifically asks about the best-in-class approach. Best-in-class means a company must be a sustainability leader **relative to its rivals** in the same sector. It is not inconceivable that shares of companies with improved performance, sustainable products or a good ethical record can be found in SRI funds, but none of these means that a company is necessarily better than its peers.

**08)** Read the following statements carefully and indicate which of them Crane and Matten identify as being among the most serious issues (from an ethical perspective) in the globalization of financial markets. Please select all that apply.

- a. Deterritorialized financial markets impose the problem that no national government is entitled to govern these markets.
- b. Globalized financial markets price many developing country citizens out of their own financial markets, by allowing foreign investors to purchase shares at inflated prices.
- c. The volume of trade in the financial sector unleashed by financial market liberalization threatens to overwhelm other kinds of economic activity.
- d. As globalized financial markets are not fully controlled by national governments, they can easily be used for transactions that would be illegal in most countries.
- e. both option a and d.

**Answer=e. Feedback:** Crane and Matten identify five most important issues as: governance and control; national security and protectionism; international speculation; unfair competition with developing countries; and (creation of) space for illegal transactions.

**09)** Ballwieser and Clemm (1999) identify five main problematic aspects of the financial intermediary's job. Which of the following is **not** one of them?

- a. Conflict of interest.
- b. Ratings are frequently unreliable.
- c. The size of the financial intermediary firms threaten standards.
- d. Long-term relationships with clients can threaten independence.
- e. none of the above.

Answer=b **Feedback:** This is not one of the five aspects that Ballwieser and Clemm identify.

**10)** There are numerous ethical issues around executive pay. Which of these do Crane and Matten identify as a reason that executive pay touches an ethical chord with the public in many countries?

- a. The pay differentials between those at the top and those at the bottom appear to be highly inequitable.
- b. It is difficult to design appropriate performance-related pay.
- c. Shifts in remuneration show the influence of globalization on executive pay.
- d. The influence of the board is limited, often failing to reflect shareholder (or other stakeholder) interests.
- e. none of the above

Answer=a **Feedback:** See Chapter 7 for a discussion of fair pay for employees.