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CHAPTER 2
ETHICS, SOCIAL RESPONSIBILITY, AND SUSTAINABILITY

LEARNING OBJECTIVES:
2.1: Summarize the main theories of ethics that are important to international business.
2.2: Explain ways to resolve ethical dilemmas and foster ethical business decisions.
2.3: Describe the main elements of corporate social responsibility and stakeholder theory.
2.4: Explain the importance international firms place on sustainability and climate change.
2.5: Describe several additional issues international managers can face daily in their jobs.

CHAPTER OUTLINE:

- Ethics Theories
    - Utilitarianism
    - Rights Theory
    - Justice Theory
    - Cultural Relativism
- Business Ethics
    - Resolving Ethical Dilemmas
    - Codes of Ethics
    - Sources of Unethical Behavior
- Corporate Social Responsibility
    - Efficiency and Profits as Social Responsibility
    - Business Responsibilities to Society
    - Stakeholder Theory
        - Benefit Corporations
- Sustainability
    - Carbon Footprints and Climate Change
    - A Circular Economy
    - Greenwashing
        - Environmental, Social, and Governance Funds
- Additional Key Global Issues
    - Bribery and Corruption
    - Working Conditions and Human Rights
    - Diversity, Equity, and Inclusion
        - DEI Efforts Within Companies

A comprehensive set of specially designed PowerPoint slides is available for use with Chapter 2. These slides and the lecture outline below form a completely integrated package that simplifies the teaching of this chapter's material.

Lecture Outline

INTRODUCTION

Multinational companies must comply with laws and regulations both at home and in every jurisdiction in which they operate. They adhere to environmental regulations, antitrust laws, labor laws, securities laws, and more. Today, cross-cultural business brings moral issues to the fore. Although cultures differ in their views of what defines ethical behavior in certain situations, businesses are expected to be model citizens in every country in which they operate. Global competition means it is critical for each firm to have a *competitive advantage*—an attribute that is difficult to imitate and enables a firm to outperform its competitors in the same industry. Building trust and behaving ethically are essential for business because their activities are grounded in a motivation for profit. Operating in an ethical and socially responsible manner can bolster a firm's brand and competitive advantage. There is a moral foundation for ethical behavior, corporate social responsibility, and sustainable business practices.

2.1 ETHICS THEORIES

Ethics are the moral principles of society that govern human behavior and decision making. *Ethical behavior* is individual behavior in accordance with principles of good conduct of morality. An ethical dilemma arises when one's ethics are challenged in a decision-making situation because no available alternative presents a clear moral solution. Ethical theories can serve as a guide for how a manager can make an ethical decision when facing a dilemma.

2.1.1 Utilitarianism

This ethics theory advocates actions that foster happiness and oppose actions that cause unhappiness. It says companies should behave in a way that maximizes good outcomes and minimizes bad outcomes.

1. A utilitarian manager asks the question "What outcome should I aim for?" and answers, "That which produces the best outcome for all affected parties."
2. Example: manager pays a bribe based on calculations that more people will benefit than will be harmed by the outcome.

2.1.2 Rights Theory

This theory states that every human being has rights and all governments are obligated to protect them. It views these rights as universal and not culture-specific.

1. The United Nations' Universal Declaration of Human Rights declares every person's fundamental right as inherent and inalienable.
2. Recognizes that all humans are born free and equal and in dignity and rights regardless of nationality, residence, gender, ethnicity, race, religion, language, or any other status.
3. Several articles in the Declaration deal explicitly with business dealings. These include the right to own property, the right to work and choose one's work, the right to paid time off work for leisure, and the right to the fruits of one's creations.

2.1.3 Theory of Justice

Theory that describes a society of free citizens who have equal basic rights and who cooperate within an egalitarian economic system.

1. Desires a social contract that bestows society's rights, freedoms, and resources equitably and fairly to all.

2. A manger following this theory would work to find solutions to ethical dilemmas that are most equitable and fair to all parties.

2.1.4 Cultural Relativism

This theory says the morality of an act depends on how the act is perceived within that specific culture at the time of the act. It says a company should adopt local ethics everywhere because all belief systems are determined within a cultural context.

1. Sees truth, itself, as relative and argues that right and wrong are determined within a specific situation.
2. "When in Rome, do as the Romans do" captures the essence of cultural relativism.

2.2 BUSINESS ETHICS

All company employees should sustain a high standard of ethical behavior. This may be more challenging for companies entering cultures that have value systems that are very different than at home.

2.2.1 Resolving Ethical Dilemmas

Executives can employ several concepts to resolve ethical dilemmas.

1. The *conflict of relative development* recognizes that countries and their populations can differ in their stage of development. A manager asks if the practice would be acceptable in the manager's home country if it were in a similar stage of development.
2. The *conflict of cultural tradition* asks if a practice would be acceptable if (1) is it not possible to do business successfully in the country without engaging in the practice, and (2) the practice does not violate a core human value.
3. Managers choosing an ethical path to follow can also look for guidance to the ethics theories presented above, including utilitarianism, rights theory, theory of justice, and cultural relativism.

2.2.2 Codes of Ethics

A *code of ethics* is a formal statement that conveys ethical values and describes baseline professional conduct expected of individuals.

1. Describes how employees are to interact ethically with co-workers, suppliers, customers, and others. It guides employees' attitudes, demeanor, and judgments while they fulfill duties and can be consulted when employees face ethical dilemmas.
2. *Ethical imperialism* is when a company attempts to export their home country's ethical beliefs to other countries. This rarely works because ethics are deeply engrained in a people's culture.
3. Companies also must be careful not to follow *cultural relativism* and blindly accept local ethics in their entirety if significant differences exist with the home country.
4. The Academy of Management identifies three general principles that serve as a guide in determining ethical courses of action, including (1) responsibility, (2) integrity, and (3) respect for people's rights and dignity.

2.2.3 Sources of Unethical Behavior

1. Two principal sources of unethical behavior are the *moral integrity of individuals* and a firm's *managerial setting or policies*.
2. Individuals differ in their moral integrity. Each person possesses a unique set of values learned throughout their life.
3. It is crucial that leaders set an acceptable example. Managers should behave ethically in official meetings as well as when the spotlight is off.
4. Corporate compliance departments traditionally ensure that their companies abide by the relevant laws and regulations and good corporate practices.

2.3 CORPORATE SOCIAL RESPONSIBILITY

Conscientious business leaders know their company's future depends on healthy communities and environments worldwide. Probably every international company of at least moderate size has a policy for social responsibility. Issues include child labor, human rights, the environment, and more.

2.3.1 Efficiency and Profits as Social Responsibility

1. Historically speaking, to be considered socially responsible a company was to maximize profits for its owners (or shareholders) while operating within the law, and follow basic ethical guidelines.
2. In the modern corporation, managers are hired to run a business for the owners. These managers are legally obligated to work in the best interests of owners (shareholders).
3. Economic theory argues that the presence of private businesses operating in free and competitive markets maximizes economic efficiency and society's well-being. This is the view of Adam Smith and Milton Friedman.
4. Utilitarianism would support this view, as would cultural relativism. Yet from a justice perspective one might argue that a business should do more to redistribute wealth and income to the less well-off. And from a rights perspective one might say that firms should also defend people's basic rights and provide equal opportunity for all.

2.3.2 Business Responsibility to Society

Another perspective views a business as having social responsibilities beyond efficiency and maximizing profits. This view is known as *corporate social responsibility (CSR)*—the belief that a company should incorporate social objectives within its goals and policies and contribute positively to society.

1. The pyramid of corporate social responsibilities involves four areas:
   a. Economic—businesses must create economic value for society.
   b. Legal—businesses must follow each society's "codified ethics."
   c. Ethical—businesses must follow the norms, values, principles, and expectations of society.
   d. Philanthropic—businesses must voluntarily give back to society.
2. Some social responsibilities differ depending on their industry. For example, sugary and fast-food companies versus oil and gas companies. Other social responsibilities are common to all industries, including respect for human rights and providing safe working conditions.

2.3.3 Stakeholder Theory

1. *Stakeholder theory* is a view of capitalism that stresses the interconnected relationships between a business and those who have an interest or "stake" in the company.
2. These individuals are called *stakeholders* and include all parties who affect, or are affected by, a company's activities. These individuals can be either internal or external to the organization.
3. The stakeholder view argues that the purpose of a business is to create as much value as possible for all stakeholders, not only shareholders. It can support development of competitive advantage.
4. Benefit Corporation

   A *benefit corporation* is a business entity legally empowered to pursue positive stakeholder impacts alongside profits.

   a. The Certified B Corporation (B Corp) movement is a community of mission-driven entrepreneurs that is creating companies that balance purpose and profit to use business as a force for good.

2.4 SUSTAINABILITY

Development that meets the needs of the present without compromising the ability of future generations to meet their needs. *Net-zero emissions* is reached when the amount of greenhouse gases released into the atmosphere and the amount removed are equal. Businesses are embracing the challenge to become net zero.

2.4.1 Carbon Footprints and Climate Change

1. *Carbon footprint* is the environmental impact of greenhouse gases measured in units of carbon dioxide that are emitted by human activity.
2. A primary footprint are emissions from the burning of fossil fuels used to produce a good or service. A secondary footprint are emissions from the whole life cycle of products from their manufacture to eventual breakdown.

2.4.2 A Circular Economy

1. A *circular economy* is an approach that designs products and components that can be reused, disassembled, and upgraded to minimize waste (see Figure 2.7).
2. The circular economy attempts to mimic natural systems and differs markedly from a linear economy. It aims to produce the same or better output with less material input and fewer emissions.
3. This resilient system is good for business, people, and the planet. The circular economy is a systems solution framework that tackles global challenges like climate change, biodiversity loss, waste, and pollution.

2.4.3 Greenwashing

1. *Greenwashing* is providing false or misleading information that presents a business or its products as being environmentally friendly.
2. There are at least four reasons why companies engage in greenwashing.

   a. Give the appearance of going green when a company is simply complying with environmental regulations.

b. Highlight green features that a product may or may not have to appeal to environmentally-minded consumers.
c. Internal reward system might encourage executives to pronounce untruthfully that a business has met sustainability targets.
d. Personal biases, preferences, or thrill-seeking behavior might motivate individuals to try and get away with lying.

3. Environmental, Social, and Governance Funds
   a. ESG funds are stock or bond investments for which environmental, social, and governance factors are considered during the investment process.
   b. These funds are supposed to invest in companies that are good stewards of the environment and have strong stakeholder relationships.
   c. However, some ESG funds are more genuine than others. Companies are being forced to disclose more information on their business activities and ESG funds are being more closely scrutinized.

2.5 ADDITIONAL KEY GLOBAL ISSUES

This section covers additional issues that are prominent in international business.

2.5.1 Bribery and Corruption

1. Corruption can lead to the misallocation of resources, hurt economic development, distort public policy, and damage national integrity.
2. The president of US-based Lockheed Martin once bribed Japanese officials to obtain a large sales contract. Public disclosure of the incident resulted in the passage of the *Foreign Corrupt Practices Act (FCPA)*, a law that forbids US companies, subsidiaries, or citizens from bribing government officials or political candidates worldwide.
3. Enron's failure sent a shockwave around the world. Energy trading markets were in chaos and many lost jobs worldwide.
4. In reaction, the US Congress passed the Sarbanes-Oxley Act, which set more stringent accounting standards and reporting practices.

2.5.2 Working Conditions and Human Rights

1. Managers must monitor their own behavior plus that of employees and business partners.
2. Governments, labor unions, consumer groups, and human rights activists forced apparel companies to implement codes of conduct and the monitoring of international production.

2.5.3 Diversity, Equity, and Inclusion

1. *Diversity* in the workplace means that a firm's employees represent a limitless variety of social viewpoints, cultural perspectives, experiences, and identities.
   a. Corporations benefit when they develop a diverse, equitable and inclusive workplace at every level of the organization.
   b. Diversity includes people of different ages, ethnicities, genders, physical abilities, religions, etc.

2. *Equity* in the workplace means that a company offers every employee an equal opportunity for work and advancement.
    a. Equity recognizes and eliminates barriers that reduce opportunity for underrepresented employees.
    b. An employee must know that people from their social and cultural background will receive equal opportunity for success in the organization.
3. *Inclusion* in the workplace means that a company welcomes every employee, whatever their identity, and helps them to feel they are an integral part of the organization.
    a. Inclusion fosters acceptance of and respect for all people and is often defined as diversity in action.
    b. Employees are encouraged to be their authentic selves without fear of recrimination.
4. DEI Efforts Within Companies
    a. A DEI statement can establish a company's commitment to these ideals. This helps form the basis of the overall workplace culture and guides policies with employees, suppliers, customers, and all community stakeholders.
    b. Diversity, equity, and inclusion goals are increasingly integrated into executive and management compensation structures today.
    c. Some firms achieve DEI goals through a practice called impact sourcing—a practice that brings marginalized groups into the global business service workforce.

Quick Study Questions

Quick Study 2.1

1. Q: *Why is it important for firms to do business with integrity and earn the public's trust in international business today?*
   A: Although cultures differ in their views of what defines ethical behavior in certain situations, businesses are expected to be model citizens in every country in which they operate. Global competition means it is critical for each firm to have a competitive advantage—an attribute that is difficult to imitate and enables a firm to outperform its competitors in the same industry. Building trust and behaving ethically are essential for business because their activities are grounded in a motivation for profit. Operating in an ethical and socially responsible manner can bolster a firm's brand and competitive advantage.

2. Q: *Which theory says that an ethical action is one that brings the greatest good to the greatest number of people?*
   A: Utilitarianism advocates actions that foster happiness and oppose actions that cause unhappiness. It says companies should behave in a way that maximizes good outcomes and minimizes bad outcomes. A utilitarian manager asks the question "What outcome

should I aim for?" and answers, "That which produces the best outcome for all affected parties."

3. Q: *What is the rights theory of ethics and what kinds of rights does it cover?*
A: Rights theory states that every human being has rights and all governments are obligated to protect them. It views these rights as universal and not culture-specific. The United Nations' Universal Declaration of Human Rights declares every person's fundamental right as inherent and inalienable. It recognizes that all humans are born free and equal and in dignity and rights regardless of nationality, residence, gender, ethnicity, race, religion, language, or any other status. Articles in the Declaration that deal explicitly with business dealings include the right to own property, the right to work and choose one's work, the right to paid time off work for leisure, and the right to the fruits of one's creations.

4. Q: *What type of justice is the focus of the ethics theory of justice?*
A: The theory of justice describes a society of free citizens who have equal basic rights and who cooperate within an egalitarian economic system. It desires a fair social contract with moral standing that embodies distributive justice. This social contract would bestow society's rights, freedoms, and resources equitably and fairly to all. A manger following this theory would work to find solutions to ethical dilemmas that are most equitable and fair to all parties.

Quick Study 2.2

1. Q: *Which two concepts can managers use to resolve ethical dilemmas between the home and host countries?*
A: Executives can employ two key concepts to resolve ethical dilemmas. First, the *conflict of relative development* recognizes that countries and their populations can differ in their stage of development. A manager asks if the practice would be acceptable in the manager's home country if it were in a similar stage of development. Second, the *conflict of cultural tradition* asks if a practice would be acceptable if (1) is it not possible to do business successfully in the country without engaging in the practice, and (2) the practice does not violate a core human value.

2. Q: *What is a code of ethics and why is it important for an international business to have one?*
A: A *code of ethics* is a formal statement that conveys ethical values and describes baseline professional conduct expected of individuals. It becomes an actionable program that supports a strong culture of ethics in all areas of the business. It describes how employees are to interact ethically with co-workers, suppliers, customers, and others. It guides employees' attitudes, demeanor, and judgments while they fulfill duties and can be consulted when employees face ethical dilemmas.

3. Q: *What are the principal sources of unethical behavior?*
A: The two principal sources of unethical behavior are the moral integrity of individuals and a firm's managerial setting or policies. Individuals differ in their moral integrity.

Each person possesses a unique set of values learned throughout their life so leaders must set an acceptable example. Managers should behave ethically in official meetings as well as when the spotlight is off.

Quick Study 2.3

1. Q: *How did Adam Smith and Milton Friedman believe companies best served their responsibilities to society?*
   A: Adam Smith and Milton Friedman believed that private companies operating in free and competitive markets maximizes economic efficiency and society's well-being. They believed that a socially responsible company should maximize profits for its owners (shareholders) while operating within the law and following basic ethical guidelines.

2. Q: *What are the four categories of responsibility identified in the CSR pyramid of corporate social responsibilities?*
   A: The pyramid of corporate social responsibilities involves four areas: (1) Economic—businesses must create economic value for society, (2) Legal—businesses must follow each society's "codified ethics," (3) Ethical—businesses must follow the norms, values, principles, and expectations of society, and (4) Philanthropic—businesses must voluntarily give back to society.

3. Q: *Which parties are important stakeholders for an average company?*
   A: Stakeholders are those who have an interest, or stake, in an organization. This includes all parties who affect, or are affected by, a company's activities. This group includes internal stakeholders (e.g., managers, executives, workers, shareholders) and external stakeholders (e.g., suppliers, customers, creditors, unions, communities, governments, media). An international business has multiple sets of some of these constituents depending on the number of locations in which it is active. Companies must carefully manage their global web of exchange relationships to create the greatest amount of value for their diverse sets of stakeholders.

Quick Study 2.4

1. Q: *How is sustainability and the term Race to Zero relevant to the discussion of climate change?*
   A: Sustainability is development that meets the needs of the present without compromising the ability of future generations to meet their needs. Corporations, governments, nongovernmental organizations, and consumers worldwide are working toward more sustainable practices and a healthier ecosystem. For their part, companies are pursuing sustainable, or *green*, initiatives that will help them achieve net-zero emissions to thwart climate change. Net-zero emissions (or carbon neutral) is the point at which the amount of greenhouse gases released into the atmosphere equals the amount being removed. Businesses spurred on by the increased competitiveness of clean technologies are embracing the challenge to become net zero. The Race to Zero is a global campaign to rally leadership and support from businesses, cities, regions, and

investors for a healthy, resilient, zero-carbon economy that prevents future climate change threats, creates decent jobs, and unlocks inclusive, sustainable growth.

2. Q: *What do we mean by the term carbon footprint and what are its two components?*
A: *Carbon footprint* is the environmental impact of greenhouse gases measured in units of carbon dioxide that are emitted by human activity. A primary footprint includes emissions from the burning of fossil fuels used to produce a good or service. A secondary footprint includes emissions from the whole life cycle of products from their manufacture to eventual breakdown.

3. Q: *What are the main differences between a linear economy and a circular economy?*
A: A *circular economy* designs products and components that can be reused, disassembled, and upgraded to minimize waste. It minimizes the recycling of products because that process requires large amounts of energy. The idea of a consumer is replaced whenever possible by a user, who leases or rents a durable product for a time and then returns it for someone else to use. A circular economy differs greatly from a linear economy in that it designs waste and pollution out of production from the start. A circular economy attempts to mimic natural systems, where nothing seems to go to waste.

4. Q: *Why might companies and investment funds engage in greenwashing?*
A: *Greenwashing* is providing false or misleading information that presents a business or its products as being environmentally friendly. There are at least four reasons why companies engage in greenwashing. First, it can give the appearance of going green when a company is simply complying with environmental regulations. Second, a firm might highlight green features that a product may or may not have to appeal to environmentally-minded consumers. Third, an internal reward system might encourage executives to pronounce untruthfully that a business has met sustainability targets. And fourth, personal biases, preferences, or thrill-seeking behavior might motivate individuals to try and get away with lying.

Quick Study 2.5

1. Q: *What individuals and types of businesses can be charged under the Foreign Corrupt Practices Act (FCPA)?*
A: The Foreign Corrupt Practices Act forbids US companies, subsidiaries, or citizens from bribing government officials or political candidates worldwide. The primary focus of the FCPA is bribery enforcement against US-based companies and citizens. But the FCPA also can be brought to bear against: (1) a foreign company that has a US subsidiary or that does business in the United States; (2) a company that has transactions going through the US banking system; or (3) a foreign citizen who works for any of these entities.

2. Q: *What consequences might a firm face if it provides poor working conditions or violates human rights?*
A: Nations try to avoid violating human rights and providing poor working conditions for a host of reasons. Otherwise, a company could find its export permits denied, brand

loyalty and brand equity fall, employee loyalty and morale decline, pricing power and profit margins fall, and risk of lawsuits, protests, and boycotts rise.

3. Q: *Why is it important for businesses to promote a diverse, equitable, and inclusive workforce in their operations at home and abroad?*
   A: An international business can improve employee morale, dedication, and retention from its DEI efforts. This can reflect positively on the firm's brand reputation. A diverse, equitable, inclusive, and multicultural workplace can reward a multinational or global firm with employees who are knowledgeable of other cultures and who have unique perspectives and skills. This can translate into a creative workplace that generates innovative ideas and solutions. It can also help a company demonstrate its appreciation for customers because its own employees reflect the diversity among its customer base. And employees with a variety of life experiences can understand and relate to a wider range of customers.

Teaming Up

Imagine that you and several of your classmates form the C-suite (chief executive officer, chief information officer, etc.) of a company that makes semiconductors. Your task is to write a national "rider" that will be added to your home country code of ethics to be implemented at a new fabrication facility built in a Southeast Asian nation of your choosing.

2-4. Q: *What are the most important topics and subtopics that your code of ethics will include?*
A: There is a natural tension between creating a multinational or global code of ethics and the situation in each society. One solution is to include built-in flexibility to allow for some discretion of local subsidiary managers. Each national rider will deal with any issues specific to that market. Students may also reflect on the Academy of Management code of ethics in Figure 2.3 for ideas on what to include.

2-5. Q: *How does your team propose to avoid ethical imperialism and make sure it does not follow cultural relativism in its code of ethics rider?*
A: Companies are said to practice ethical imperialism if they attempt to export their home country's ethical beliefs to other countries. Companies also must be careful not to follow cultural relativism and blindly accept local ethics in their entirety if significant differences exist with the home country. One solution is to follow Motorola's guidelines for its employees abroad. Motorola's code of conduct says an individual cannot engage in any behavior that violates the business ethics of Motorola or US laws related to business ethics, even if that conduct is legal, customary, or accepted in the foreign country.

Ethical Challenge

You are the newly hired CEO of a business that contracts with a global social media firm to enforce its community standards. Your employees (content moderators) in a dozen countries *earn around $15 per hour to review and purge content that fails to meet your client's standards. People say the social media firm sends the most controversial content for review to companies like yours. Reviewing one of your firm's international locations, you find past and present workers' complaints of filthy workspaces, sexual harassment, physical and verbal abuse, discrimination, and drug use at work. The psychological toll of hours spent watching graphic violence, hate speech, child pornography, and even murder cause employees to be diagnosed with anxiety, depression, and post-traumatic stress disorder (PTSD).*

2-6. Q: *Why do you think the global social media company contracts this type of work to other companies?*
A: First, the company likely subcontracts work to companies who hire people in the country whose content is being reviewed for violating its terms. Content moderators should know the language, street slang, and overall culture of the people being monitored for adherence to the content rules. Second, the social media company might be trying to isolate itself (to whatever extent possible) from liability regarding the moderation of content on its website.

2-7. Q: *What specific steps can you think of that could be implemented immediately to improve the situation at your company?*
A: Employees should be interviewed about how they are handling the exposure to sometimes difficult content. They could be given increased rest breaks during working hours. Employees susceptible to depression or anxiety or who are suffering from exposure to violent or otherwise harmful content could be offered mental health services. Some employees might be advised to seek other work inside or outside the company. Mental health professionals could also be hired to assist employees who choose to remain on the job. The company's and subcontractor's computer algorithms could be improved to do more of the work currently demanded of people to reduce workers' stress.

2-8. Q: *Do you think the social media company bears any ethical responsibility for the physical and psychological health of your employees, or is it entirely your firm's responsibility?*
A: From a strictly legal perspective, the social media company likely bears no direct legal liability for the toll such work takes on the mental and physical health of the subcontractor's employees. However, from an ethical perspective, the social media company may want to be sure that the employees are being well-compensated for their work and see to it that they have a great deal of support from the subcontractor's management team.

2-9. Q: *Do you think the social media company or your firm has any long-term responsibility for your employees' health once they leave your employment?*
A: In some cultures, one never knows what lawsuits might one day arise from having been employed doing such content moderation work. It does not seem too far-fetched to think that a talented legal team could pierce the veil of separability and go after the social media company as well as the subcontractor if a former employee brings a lawsuit.

Practicing International Management Case

Big Chocolate's Big Problem

2-12. Q: *Research whether Big Chocolate set a new deadline for meeting the terms of the Harkin-Engel Protocol. Has it met the deadline? What reasons does it give if it failed to meet it?*
A: As of mid-2022, it appears that the objectives of the Harkin-Engel Protocol are not yet met. The economics of the industry create conditions for the practice to continue—farmers do not make enough profit to hire adult laborers. Yet there appears to be some progress on the goal of eliminating child labor from cocoa harvesting. Around one-third to one-half of the world's cocoa beans are now certified as not using child labor.

2-13. Q: *Intermediaries and exporters control the sale of cocoa from Ghana and the Ivory Coast. Is there a way Big Chocolate can use its influence to ensure farmers receive a fairer price?*
A: Most obvious, and immediate, Big Chocolate could pressure intermediaries to pay cocoa farmers an above market price that allows them to hire more costly adult laborers rather than children. If Tony's Chocolonely, can succeed doing so, Big Chocolate should also be able to do this. It would seem that Big Chocolate has a great deal of power relative to the intermediaries and the farmers.

2-14. Q: *If you were a member of the US Congress, what specific steps could you take to help eliminate the use of child labor in the cocoa industry or any industry?*
A: Greater transparency and monitoring is an obvious solution yet problems arise in their application. But if the world can monitor and report on sweatshop labor in the textile industry and working conditions in all sorts of other industries around the world, it should be able to do so effectively on the cocoa bean farms of Ghana and the Ivory Coast.

2-15. Q: *Can you think of a way technology could be put to use to eliminate child labor in the cocoa industry?*
A: Tony's Chocolonely created its Sweet Solution bars following its five sourcing principles: (1) using 100 percent traceable cocoa beans, (2) paying an above-market price, (3) supporting farmers, (4) creating long-term partnerships, and (5) focusing on quality and productivity. Tony's "Open Chain" also created an open-source cocoa bean platform for sourcing beans and makes it available to any chocolate maker that wishes to follow its lead.

International Business: The Challenges of Globalization, 10e **(Wild)**
Chapter 2 Ethics, Social Responsibility and Sustainability

1) ________ are moral principles of society that govern human behavior and decision making.
A) Attitudes
B) Ethics
C) Laws
D) Biases
Answer: B
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.1: Summarize the main theories of ethics that are important to international business.

2) Which of the following approaches to ethical standards for corporate governance reflects the view that the best ethical action is the one that provides the best or the least harm?
A) Justice theory
B) Utilitarianism
C) Virtue approach
D) Fairness approach
Answer: B
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.1: Summarize the main theories of ethics that are important to international business.

3) The ________ view that says the morality of an act depends on how the act is perceived within that specific culture at the time of the act.
A) justice theory
B) cultural relativism
C) rights theory
D) utilitarianism
Answer: B
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.1: Summarize the main theories of ethics that are important to international business.

4) The ________ view says that every human being has rights, and all governments are obligated to protect them.
A) justice theory
B) rights theory
C) cultural relativism
D) utilitarianism
Answer: B
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.1: Summarize the main theories of ethics that are important to international business.

5) Which ethics theory are advocating actions that foster happiness and opposing actions that cause unhappiness?
A) Justice theory
B) Rights theory
C) Cultural relativism
D) Utilitarianism
Answer: D
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.1: Summarize the main theories of ethics that are important to international business.

6) Which theory describes a society of free citizens who have equal basic rights and who cooperate within an egalitarian economic system?
A) Justice theory
B) Rights theory
C) Cultural relativism
D) Utilitarianism
Answer: A
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.1: Summarize the main theories of ethics that are important to international business.

7) Which of the following is TRUE about the rights theory?
A) It is based on the belief that the best action treats everyone equally and fairly.
B) It produces the greatest balance of good over harm to customers, employees, shareholders, the community, and the natural environment.
C) According to the rights approach, the most important virtues are truth and prudence.
D) It is based on the belief that, every human being has rights, and all governments are obligated to protect them
Answer: D
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.1: Summarize the main theories of ethics that are important to international business.

8) Ethical dilemmas are not legal questions.
Answer: TRUE
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.1: Summarize the main theories of ethics that are important to international business.

9) The utilitarian view says that managers should minimize good outcomes and maximize bad outcomes.
Answer: FALSE
AACSB: Application of knowledge

Skill: Concept
Difficulty: Easy
LO: 2.1: Summarize the main theories of ethics that are important to international business.

10) The cultural relativist view says that a company's sole responsibility is to maximize profits for its owners while operating within the law.
Answer: FALSE
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.1: Summarize the main theories of ethics that are important to international business.

11) An ethical dilemma arises when one's ethics are challenged in a decision-making situation because no available alternative presents a clear moral solution.
Answer: TRUE
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.1: Summarize the main theories of ethics that are important to international business.

12) When a company involves itself directly in international business, its managers often see that people in other cultures treat one another in familiar ways.
Answer: FALSE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.1: Summarize the main theories of ethics that are important to international business.

13) If everything is relative then cultural relativism could be used to justify unethical acts.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Moderate
LO: 2.1: Summarize the main theories of ethics that are important to international business.

14) Cultural relativism says the morality of an act depends on how the act is perceived within all cultures at the time of the act.
Answer: FALSE
AACSB: Application of knowledge
Skill: Application
Difficulty: Moderate
LO: 2.1: Summarize the main theories of ethics that are important to international business.

15) What are the ethical theories that are relevant to international business, which act as a guide for how a manager can make an ethical decision when facing a dilemma.
Answer: (1) utilitarianism is an ethics theory advocating actions that foster happiness and opposing actions that cause unhappiness. This theory asserts that it is the consequences of a decision that determine its ethical value. It involves balancing the costs of an action against its benefits when making a decision. An ethical action is the one that maximizes the utility, or well-being, for the entire group of affected people. In its simplest form, utilitarianism says an ethical action is the one that brings the greatest good to the greatest number of people. (2) Rights theory states that every human being has rights, and all governments are obligated to protect them. These rights are not culture-specific, and each of us possesses them by virtue of being human. These include the right to: equal opportunity, property ownership, and freedom of speech, as well as the ability to enter into contractual obligations. When faced with a situation of competing rights, we must analyze which right has ethical priority, (3) theory of justice describes a society of free citizens who have equal basic rights, and who cooperate within an egalitarian economic system, (4) Cultural relativism says the morality of an act depends on how the act is perceived within that specific culture at the time of the act. Supporters of cultural relativism say it is the pinnacle of open-mindedness and that accepting other groups' ethics as valid helps people grow more tolerant of others.
AACSB: Application of knowledge
Skill: Application
Difficulty: Moderate
LO: 2.1: Summarize the main theories of ethics that are important to international business.

16) Behavior that fails to conform to generally accepted social norms is considered ________.
A) ethical
B) unethical
C) illegal
D) unregulated
Answer: B
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.2: Explain frameworks used to resolve ethical dilemmas and other business applications.

17) Which of the following is considered the primary problem for MNCs attempting to define their corporate-wide ethics?
A) Inconsistencies among international laws
B) Variations in ethical standards around the world
C) Corruption within legal organizations
D) Differences in worldwide religions
Answer: B
AACSB: Ethical understanding and reasoning
Skill: Application
Difficulty: Moderate
LO: 2.2: Explain frameworks used to resolve ethical dilemmas and other business applications.

18) Which of the following is TRUE of a code of ethics?

A) It guides decision-making by all employees in the firm.
B) It does not define the values and principles that are intended to guide organizational decision making.
C) It emphasizes profit over righteousness.
D) It is a cure for all ethical dilemmas.
Answer: A
AACSB: Application of knowledge
Skill: Application
Difficulty: Moderate
LO: 2.2: Explain frameworks used to resolve ethical dilemmas and other business applications.

19) The two principal sources of unethical behavior are the moral integrity of individuals and a firm's managerial setting or policies.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.2: Explain frameworks used to resolve ethical dilemmas and other business applications.

20) When transferred to another country for work, a manager or executive can face an unfamiliar culture with an extremely different belief system.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.2: Explain frameworks used to resolve ethical dilemmas and other business applications.

21) Decisions about ethics tend to be made at a local level, affect more people, and reflect a general stance taken by a company or a few decision makers.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.2: Explain frameworks used to resolve ethical dilemmas and other business applications.

22) The biggest single problem for MNCs in their attempt to define a corporate-wide ethical posture is the great variation of ethical standards around the world.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.2: Explain frameworks used to resolve ethical dilemmas and other business applications.

23) An individual's value system and ethics develop over a lifetime of personal experiences and learning from society.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.2: Explain frameworks used to resolve ethical dilemmas and other business applications.

24) Cultural relativism occurs when an individuals attempt to export their home country's ethical beliefs to other countries.
Answer: FALSE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.2: Explain frameworks used to resolve ethical dilemmas and other business applications.

25) Companies are practicing ethical imperialism when they attempt to export their home country's beliefs to other countries.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.2: Explain frameworks used to resolve ethical dilemmas and other business applications.

26) The two principal sources of unethical behavior are the moral integrity of individuals and a firm's managerial setting or policies.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.2: Explain frameworks used to resolve ethical dilemmas and other business applications.

27) What is a code of ethics? What function does it serve for businesses?
Answer: A Code of Ethics is a formal statement that conveys ethical values and describes baseline professional conduct expected of individuals. The code aims to function like a moral compass for the firm's operations worldwide. It should be designed to ensure any employee can identify ethical problems and distinguish between right and wrong actions. The code should be general enough to apply to any ethical challenge that confronts the firm. It should list the general principles that guide daily decisions and interactions with customers, employees, and partners. The code should be created by senior management and disseminated throughout the firm. It should be translated into all languages used by the firm in its international operations.
AACSB: Application of knowledge
Skill: Application
Difficulty: Moderate
LO: 2.2: Explain frameworks used to resolve ethical dilemmas and other business applications.

28) What is an ethical dilemma? In a short essay, include one example of an ethical dilemma that a business manager might face.

Answer: An ethical dilemma arises when one's ethics are challenged in a decision making situation because no available alternative presents a clear moral solution There are alternative choices, however, they may be equally valid in ethical terms depending on one's perspective
Example:
Imagine you are a manager and visit a factory owned by an affiliate in Colombia, only to discover the use of child labor in the plant. Upon studying the problem, you learn that child labor is accepted in many developing economies. There are more than 50 million children working in India alone. Girls are vulnerable and may be abused or exploited. Work prevents children from attending school, which would improve their prospects for a better life. But you also learn that without their children's income, families often go hungry. If the kids are dismissed from the plant, many will turn to other income sources, including prostitution and street crime. The age at which children are deemed adults varies worldwide, sometimes as low as 15 years. This situation presents an ethical dilemma because child labor is a human rights violation-but in this case it also provides a necessary source of income and serves a positive purpose that might be thwarted if the children are prevented from working.
AACSB: Ethical understanding and reasoning
Skill: Application
Difficulty: Moderate
LO: 2.2: Explain frameworks used to resolve ethical dilemmas and other business applications.

29) What are the two concepts that an executive can use to resolve ethical dilemmas, and how can they be applied?
Answer: The first concept, called a conflict of relative development, recognizes that countries and their populations can differ in their stage of economic development. Applying this concept means considering whether the practice would be acceptable in the manager's home country if it were in a similar stage of development. The executive could answer yes to this first concept because workers in US factories during its earlier period of development were also poorly paid and worked long hours, often without union representation. Even children were commonly employed in US factories in the country's earlier stages of development. The second concept is called conflict of cultural tradition. A practice would be acceptable if (1) it is not possible to do business successfully in the country without engaging in the practice, and (2) the practice does not violate a core human value. The executive in our example could likely answer yes to this concept also. The business will probably become unsuccessful if it faces fierce price competition in the market for its finished goods and if paying higher wages in Mexico would reduce its competitiveness. Moreover, the company pays about average wages for labor in Mexico, the factory conforms to local conditions, and workers' basic human rights and dignity are not violated.
AACSB: Application of knowledge
Skill: Application
Difficulty: Moderate
LO: 2.2: Explain frameworks used to resolve ethical dilemmas and other business applications.

30) Which of the following philosophies maintains that a company's sole responsibility is to maximize profits for its owners?

A) Utilitarianism
B) Rights theory
C) Friedman view
D) Cultural relativism
Answer: C
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.3: Describe the main elements of corporate social responsibility and stakeholder theory.

31) ________ is the layer of corporate social responsibility whereby a corporation donates money and, perhaps, employee time toward a specific social cause.
A) Economic responsibilities
B) Legal responsibilities
C) Ethical responsibilities
D) Philanthropic responsibilities
Answer: D
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.3: Describe the main elements of corporate social responsibility and stakeholder theory.

32) ________ is the layer of corporate social responsibility whereby a company develops a code of conduct that it will follow in its global operations and agrees to operate with greater transparency.
A) Legal responsibility
B) Philanthropic responsibility
C) Economic responsibility
D) Ethical responsibility
Answer: A
AACSB: Application of knowledge
Skill: Concept
Difficulty: Moderate
LO: 2.3: Describe the main elements of corporate social responsibility and stakeholder theory.

33) ________ is the layer of corporate social responsibility in which a business builds social responsibility into its core operations to create value and build competitive advantage.
A) Legal responsibility
B) Philanthropic responsibility
C) Economic responsibility
D) Ethical responsibility
Answer: C
AACSB: Application of knowledge
Skill: Concept
Difficulty: Moderate
LO: 2.3: Describe the main elements of corporate social responsibility and stakeholder theory.

34) Sunny Dew, an American soda company, opened a number of manufacturing units in a developing country. It employed people from the host country to work in the new units. This move radically lowered the poverty rate in the developing country. In this scenario, Sunny Dew is ________.
A) making questionable payments
B) following moral guidelines
C) making a foreign investment
D) adopting local customs
Answer: C
AACSB: Application of knowledge
Skill: Concept
Difficulty: Moderate
LO: 2.3: Describe the main elements of corporate social responsibility and stakeholder theory.

35) Which of the following is a business benefit from corporate social responsibility?
A) Revenue decreases
B) Cost increases
C) Brand equity
D) Risk assessment
Answer: C
AACSB: Application of knowledge
Skill: Concept
Difficulty: Moderate
LO: 2.3: Describe the main elements of corporate social responsibility and stakeholder theory.

36) In a globalized market economy, Corporate Social Responsibility does not have to be part of modern business.
Answer: FALSE
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.3: Describe the main elements of corporate social responsibility and stakeholder theory.

37) Social responsibility deals with decisions and interactions mostly on an individual level.
Answer: FALSE
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy

LO: 2.3: Describe the main elements of corporate social responsibility and stakeholder theory.

38) Societies expect companies to have legal responsibilities and function in a fair, objective, and equitable manner.
Answer: TRUE
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.3: Describe the main elements of corporate social responsibility and stakeholder theory.

39) A business uses resources to create a finished good or service having greater value than the resources beforehand.
Answer: TRUE
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.3: Describe the main elements of corporate social responsibility and stakeholder theory.

40) Loss of a language can diminish the richness of a people's cultural, spiritual, and intellectual life.
Answer: TRUE
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.3: Describe the main elements of corporate social responsibility and stakeholder theory.

41) A benefit corporation is a legal structure for a business, like being a partnership or an S-corporation.
Answer: TRUE
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.3: Describe the main elements of corporate social responsibility and stakeholder theory.

42) A benefit corporation is a form of business entity that is legally empowered to pursue the negative stakeholder impacts alongside profits.
Answer: FALSE
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.3: Describe the main elements of corporate social responsibility and stakeholder theory.

43) Improved customer attraction and retention; improved reputation; and improved employee recruitment, motivation, and retention are business benefits of corporate social responsibility.
Answer: TRUE
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.3: Describe the main elements of corporate social responsibility and stakeholder theory.

44) What is corporate social responsibility and what are the four area of social responsibility for companies?
Answer: Corporate social responsibility involves a company going beyond legal obligations to actively balance commitments to investors, customers, other companies, and communities. The four areas of social responsibility for companies are: (1) societies require that corporations have *economic responsibilities* in that they must create economic value for society. A business uses resources to create a finished good or a service having greater value than the resources themselves had beforehand. The business retains some of the added value as profits to pay expenses, fund future investment projects, and pay an adequate return to shareholders. Society receives value from benefits provided by the firm's product and from paid employment to individuals, (2) companies also have *legal responsibilities* to society. The laws and regulations that a corporation must follow in its operations represent a society's "codified ethics." A corporation comes into being when a society provides it with a license to form and operate a business entity. To remain in good standing with society a corporation must abide by local, regional, and federal laws. Some of these laws define taxes on profits that are used to pay for public benefits such as schools, hospitals, roads, safety, and healthcare, (3) societies expect companies to have *ethical responsibilities* and function in a fair, objective, and equitable manner. This means following the norms, values, principles, and expectations of society. A corporation should also operate in a way that follows principles of right and wrong, including utilitarianism, human rights, and equitable and fair treatment. The vital importance of ethics to corporate social responsibility permeates the other three areas of responsibility, and (4) Fourth, societies desire companies to have *philanthropic responsibilities* and be good corporate citizens by giving back to society in a voluntary manner. Companies are expected to give in proportion to their wealth, status, and power. A small-town business might give time off work for employees to perform community service. And a large global company might be expected to build a school or hospital in a developing country where it employs workers.
AACSB: Application of knowledge
Skill: Concept
Difficulty: Moderate
LO: 2.3: Describe the main elements of corporate social responsibility and stakeholder theory.

45) What is stakeholder theory, and who are the parties that will be affected by a company's activities
Answer: An idea closely related to social responsibility is stakeholder theory—a view of capitalism that stresses the interconnected relationships between a business and those who have an interest, or "stake," in the organization. Stakeholders include all parties who affect, or are affected by, a company's activities. This group includes *internal stakeholders* (e.g., managers, executives, workers, shareholders) and *external stakeholders* (e.g., suppliers, customers, creditors, unions, communities, governments, media). An international business has multiple sets of some of these constituents depending on the number of locations in which it is active. This theory says companies must carefully manage their global web of exchange relationships to create the greatest amount of value for their diverse sets of stakeholders.
AACSB: Application of knowledge
Skill: Concept
Difficulty: Moderate
LO: 2.3: Describe the main elements of corporate social responsibility and stakeholder theory.

46) ________ means meeting the needs of the present without compromising the ability of future generations to meet their needs.
A) Sustainability
B) Corporate social responsibility
C) Ethical behavior
D) Stakeholder responsibility
Answer: A
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

47) Sustainable firms ________.
A) have a high employee turnover rate
B) have greater liabilities than assets
C) avoid emitting toxic wastes
D) actively resist organizational change
Answer: C
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

48) Which of the following terms refers to adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today, while protecting, maintaining, and enhancing the human and natural resources that will be needed in the future?
A) Privatization
B) Protectionism
C) Sustainability
D) Nationalism
Answer: C
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

49) If MNCs want to take the lead in dealing with ecological interdependence, then they most likely need to ________.
A) comply with international environmental regulations
B) incorporate sustainability goals into strategic planning
C) invest all profits into recycling and renewing resources around the world
D) work with foreign governments to draft global environmental protection legislation
Answer: B
AACSB: Application of knowledge
Skill: Concept
Difficulty: Hard
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

50) ________ is the environmental impact of greenhouse gases measured in units of carbon dioxide that are emitted by human activity.
A) Carbon footprint
B) Greenhouse log
C) Carbon cycle
D) Greenhouse check
Answer: A
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

51) Firms with strong environmental interests are most likely to ________.
A) provide employees educational opportunities
B) encourage the use of sweatshops
C) optimize diversity in hiring
D) minimize pollutants in manufacturing
Answer: D
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

52) ________ measures the indirect carbon dioxide emissions from the whole life cycle of products—from their manufacture to eventual breakdown.
A) Primary footprint
B) Secondary footprint
C) Tertiary footprint
D) Internalized footprint
Answer: B
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

53) Which of the following does the secondary footprint measure?
A) The burning of fossil fuels
B) Direct energy consumption
C) Indirect carbon dioxide emissions
D) Emissions caused by natural forces
Answer: C
AACSB: Application of knowledge
Skill: Concept
Difficulty: Easy
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

54) Sustainable business strategies must reflect local conditions.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

55) A circular economy is an approach that designs products and components that can be reused, disassembled, and upgraded to minimize waste.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

56) A linear economy differs greatly from a circular economy in that it designs waste and pollution out of production processes from the start.
Answer: FALSE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

57) A circular economy differs greatly from a linear economy in that it designs waste and pollution out of production processes from the start.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

58) Leading international companies today support the drive toward a more linear economy that minimizes waste and promotes reusing and refurbishing products.
Answer: FALSE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

59) Greenwashing is when a corporation provides false or misleading information that presents a business or its products as being environmentally friendly.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

60) Despite the implication that an Environmental, Social and Governance fund is environmentally friendly, some funds choose to ignore the environment and focus on social and/or governance issues.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Moderate
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

61) A circular economy attempts to mimic natural systems, where nothing seemingly goes to waste.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Moderate
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

62) Companies are reducing their *carbon footprints* and working toward net-zero emissions to slow climate change and to help create a healthier ecosystem and healthier communities worldwide.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy

LO: 2.4: Explain the importance international firms place on sustainability and climate change.

63) Innovation is creating a more linear economy that designs products and components that can be reused, disassembled, and upgraded to minimize waste.
Answer: FALSE
AACSB: Application of knowledge
Skill: Application
Difficulty: Moderate
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

64) *Sustainability* is development that meets the needs of the present without compromising the ability of future generations to meet their needs.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

65) What is Greenwashing and why do companies engage in it?
Answer: Greenwashing is when a corporation provides false or misleading information that presents a business or its products as being environmentally friendly. There are at least four potential reasons why companies engage in greenwashing. First, a company might want to appear as proactively going green when it is simply complying with existing environmental regulations. Second, a business might highlight environmental features that its products may not actually have to appeal to environmentally minded customers. Third, a company's reward system might encourage executives to publicly pronounce untruthfully that the business has met sustainability targets. Fourth, personal biases, preferences, or thrill-seeking behavior might motivate individuals to try to get away with lying or exaggerating.
AACSB: Application of knowledge
Skill: Application
Difficulty: Moderate
LO: 2.4: Explain the importance international firms place on sustainability and climate change.

66) ________ refers to offering, giving, receiving, or soliciting anything of value to influence the actions of a government official or a corporate manager.
A) Patenting
B) Piracy
C) Bribery
D) Normativism
Answer: C
AACSB: Application of knowledge
Skill: Application

Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

67) Payments to expedite routine transactions are often referred to as ________.
A) slotting fees
B) grease payments
C) gray funds
D) expropriation
Answer: B
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

68) Grease money is considered ________.
A) cultural reward systems
B) bribes
C) sales commissions
D) business expenses
Answer: B
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

69) The Foreign Corrupt Practices Act was primarily established to ________.
A) distinguish between harmless customs and actual bribery
B) combat corruption initiated by electronics firms and their subsidiaries
C) provide managers with anonymous methods for reporting bribery
D) prosecute international extortionists under the U.S. legal system
Answer: A
AACSB: Application of knowledge
Skill: Application
Difficulty: Moderate
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

70) Which of the following prohibits U.S. companies from making illegal payments or other gifts or political contributions to foreign government officials for the purposes of influencing them in business transactions?

A) Sherman Antitrust Act
B) Robinson-Patman Act
C) Wagner Corruption Act
D) Foreign Corrupt Practices Act
Answer: D
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

71) One of the primary complaints about the Foreign Corrupt Practices Act is that the legislation ________.
A) puts U.S. firms at a competitive disadvantage
B) fails to enforce equal punishments on U.S. firms
C) encourages U.S. managers to hire local agents
D) requires U.S. firms to adhere to host country laws
Answer: A
AACSB: Application of knowledge
Skill: Application
Difficulty: Hard
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

72) The FCPA allows "grease" payments to facilitate business in a foreign country, if ________.
A) the purpose of payment is beneficial to the home country
B) the purpose of payment is beneficial to the company
C) those payments are lawful in that country
D) those payments are a small amount compared to the revenue generated
Answer: C
AACSB: Application of knowledge
Skill: Application
Difficulty: Moderate
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

73) Which of the following is TRUE regarding bribery?
A) Bribery promotes a culture of dishonesty and immorality.
B) Bribery poses no significant threat to market economies.
C) Bribery is considerably rare in developing economies.
D) Bribery is not acceptable in much of the world.
Answer: A
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

74) Firms with a strong social interest ________.
A) openly support the use of sweatshops

B) aim to optimize work conditions and diversity in hiring
C) are reluctant to provide health insurance to employees
D) engage in deceptive marketing
Answer: B
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

75) ________ in the workplace means that a firm's employees represent a limitless variety of social viewpoints, cultural perspectives, experiences, and identities.
A) Equity
B) Inclusion
C) Diversity
D) Responsibility
Answer: C
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

76) ________ in the workplace means that a company offers every employee and equal opportunity for work and advancement.
A) Equity
B) Inclusion
C) Diversity
D) Responsibility
Answer: A
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

77) ________ in the workplace means that a company welcomes every employee, whatever their identity, and helps them feel they are an integral part of the organization.
A) Equity
B) Inclusion
C) Diversity
D) Responsibility
Answer: B
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

78) Firms with global mindsets are characterized by ________.
A) diversity in the international workforce
B) parochialism
C) a strong sense of national pride
D) rigid hiring policies
Answer: A
AACSB: Application of knowledge
Skill: Application
Difficulty: Moderate
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

79) What does the concept of diversity in the workplace refer to?
A) Physical differences among employees
B) Social differences among employees
C) Historical differences among groups
D) Managerial difference among employees
Answer: A
AACSB: Application of knowledge
Skill: Application
Difficulty: Moderate
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

80) In some countries, bribes are routinely paid to distributors to push the products through the distribution channels.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

81) Under the Foreign Corrupt Practices Act, American firms are allowed to give small "grease" (facilitating) payments to *expedite* a deal or transaction but not to make a deal happen.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

82) The Foreign Corrupt Practices Act forbids U.S. companies from bribing government officials or political candidates in other nations.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

83) U.S. individuals are exempt from being prosecuted for bribery under the Foreign Corrupt Practices Act.
Answer: FALSE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

84) Inclusion is often called diversity in action.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

85) Ethical lapses can jeopardize a company's future and ruin a business entirely.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

86) In some countries small bribes are considered a normal part of doing business.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

87) Impact sourcing—a practice that brings marginalized groups into the global business services workforce.
Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

88) Corruption leads to allocation of resources, and aids economic development, distorts public policy, and damage the integrity of the firm.
Answer: FALSE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

89) The Sarbanes—Oxley Act on corporate governance is a law which established new, stringent accounting standards and reporting practices for firms.

Answer: TRUE
AACSB: Application of knowledge
Skill: Application
Difficulty: Easy
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

90) Describe the Foreign Corrupt Practices Act and explain how it relates to corporate social responsibility.
Answer: The Foreign Corrupt Practices Act forbids U.S. companies from bribing government officials or political candidates in other nations (except when a person's life is in danger). A bribe constitutes "anything of value"—money, gifts, and so forth—and cannot be given to any "foreign government official" empowered to make a "discretionary decision" that may be to the payer's benefit. The law also requires firms to keep accounting records that reflect their international activities and assets.
Bribery and corruption are corporate social responsibility issues. In certain countries, bribes are routinely paid to distributors and retailers to push a firm's products through distribution channels. Bribes can mean the difference between obtaining an important contract and being completely shut out of a market. But corruption is detrimental to society and business. Among other things, corruption can send resources toward inefficient uses, hurt economic development, distort public policy, and damage national integrity. The Foreign Corrupt Practices Act addresses this issue by making bribery illegal.
AACSB: Application of knowledge
Skill: Synthesis
Difficulty: Hard
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

91) What consequences might a firm face if it provides poor working conditions or violates human rights?
Answer: Many nations are trying to tackle violations of human rights and poor working conditions. According to Canadian law, for example, companies whose products are used to violate human rights can have their export permits denied. France, Germany, and Norway already have legislation that requires firms to ensure that their supply chains are free of forced labor. The European Union is seeking to place obligations on companies operating anywhere in Europe's single market. Proponents say human rights violations will continue throughout global supply chains unless laws specify serious penalties for wrongdoing. And members of the UK's Parliament propose amending and strengthening its 2015 Modern Slavery Act, which currently doesn't guarantee that supply chains are free from forced labor.
AACSB: Application of knowledge
Skill: Synthesis
Difficulty: Hard
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

92) What is diversity in the workplace, and why is important in international business?
Answer: Diversity in the workplace means that a firm's employees represent a limitless variety of social viewpoints, cultural perspectives, experiences, and identities. Diversity includes people of different ages, ethnicities, genders, physical abilities, religions, and more. International businesses should not confine diversity to only current thinking but should allow the category to expand along with changes in local cultures around the world. Having a diverse team gives you access to in-depth local market knowledge, cultural insights, local networks, and alternative solutions to roadblocks.
AACSB: Application of knowledge
Skill: Synthesis
Difficulty: Moderate
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

93) What is meant by the term equity in the workplace, and why is it important in international business? What should international firms strive for?
Answer: Equity in the workplace means that a company offers every employee an equal opportunity for work and advancement. Equity ensures equal possible outcomes for all employees. In this way equity recognizes and eliminates barriers that reduce opportunity for underrepresented employees. An employee must know that others from their same social and cultural background receive equal opportunity for success in the organization as do people from other social and cultural groups. Many organizations hire for diversity but fail to provide equitable opportunities for advancement to their diverse hires. When this happens, what we see is high diversity in low-paying and low-authority jobs, and over (or exclusive) representation of one demographic in leadership and management. An international business should empower diverse employees by giving equitable promotions and upholding diverse representation in executive positions.
AACSB: Application of knowledge
Skill: Synthesis
Difficulty: Moderate
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.

94) What is meant by the term inclusion and discuss its importance in the international workplace.
Answer: Inclusion enhances employee engagement and innovation, creates a sense of belonging, improves the employee experience, enhances innovation, and improves leadership skills and abilities. It means that a company welcomes every employee, whatever their identity, and helps them to feel they are an integral part of the organization. Inclusion fosters acceptance of and respect for all people. Employees are encouraged to be their authentic selves without fear of recrimination. In being inclusive an international business can improve employee morale, dedication, and retention.
AACSB: Application of knowledge
Skill: Synthesis
Difficulty: Moderate
LO: 2.5: Describe several additional issues international managers can face daily in their jobs.