1) The German company Deutsche Telekom has instituted a quota for hiring women.
Answer: TRUE
Explanation: Deutsche Telekom aims to preferentially hire women in hopes of more than doubling the number of senior and middle managers who are female.
Diff: 1 Page Ref: 48
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

2) Only 30 percent of senior and middle managers at Deutsche Telekom are currently women.
Answer: FALSE
Explanation: Currently, only 12 percent of senior and middle managers at Deutsche Telekom are women. The company hopes to have 30 percent women by 2015.
Diff: 2 Page Ref: 48
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

3) Currently, almost 50 percent of Fortune 500 companies are headed by women.
Answer: FALSE
Explanation: Only 3 percent of Fortune 500 companies are currently headed by women.
Diff: 2 Page Ref: 48
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

4) Global supply chains are similar to biological systems in being resilient and resistant to change but surprisingly vulnerable at the same time.
Answer: TRUE
Explanation: Global supply chains show great resiliency, yet can be rendered dysfunctional by certain kinds of global events.
Diff: 2 Page Ref: 48
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management
5) The strength of global supply chains is clearly illustrated by their response to such events as unrest in the Middle East or an earthquake in Japan.
Answer: FALSE
Explanation: In fact, these events demonstrated the weakness of global supply chains, causing them to come to a halt in the wake of a disruption.
Diff: 2 Page Ref: 48
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

6) The boundaries of the global village are drawn by the major economic powers—the United States, China, and Japan.
Answer: FALSE
Explanation: The global village does not have boundaries.
Diff: 2 Page Ref: 48
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

7) An organization can be considered "global" simply if it carries out trade with other countries.
Answer: TRUE
Explanation: The most basic form of a "global" organization is an organization that exchanges goods and services with consumers in other countries.
Diff: 2 Page Ref: 48-49
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

8) An organization that hires employees from other countries but does not obtain financing from a foreign source cannot be considered global.
Answer: FALSE
Explanation: Global refers to any organization that does any of the following: (a) exchanges goods and services with consumers in other countries, (b) hires employees from other countries, or (c) obtains financing from foreign sources.
Diff: 2 Page Ref: 48-49
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management
9) Multinational corporations maintain significant operations in two or more countries simultaneously.
Answer: TRUE
Explanation: A multinational corporation comes in three different forms—the multidomestic corporation, the global corporation, and the transnational corporation. All three forms maintain operations in multiple countries.
Diff: 2 Page Ref: 49
AACSB: Dynamics of the global economy
Objective: 3.1

10) Sony is an example of a multidomestic company.
Answer: FALSE
Explanation: Sony is a global corporation because it centralizes its management in Japan, its home country.
Diff: 2 Page Ref: 49
AACSB: Dynamics of the global economy
Objective: 3.1

11) Nestlé is an example of a multidomestic company.
Answer: TRUE
Explanation: Nestlé uses local management, local business strategies, and products geared specifically for local customers in each country in which it does business. This kind of approach identifies a multidomestic company.
Diff: 2 Page Ref: 49
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

12) Transnational corporations run their businesses from their home country.
Answer: FALSE
Explanation: A transnational corporation is an MNC that has different operations in different countries but has no centralized "headquarters" or home country.
Diff: 2 Page Ref: 49
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management
13) When organizations go global, they often start by simply exporting products to one or more foreign countries.
Answer: FALSE
Explanation: Before exporting, organizations often begin the globalization process by outsourcing labor or materials. An example of outsourcing is having a factory in Asia manufacture products for a U.S.-based company.
Diff: 2  Page Ref: 50
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

14) After the global sourcing stage, companies that are going global often turn to exporting and importing goods across international borders.
Answer: TRUE
Explanation: Exporting and importing is often the second stage an organization passes through to go global.
Diff: 2  Page Ref: 50
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

15) Licensing and franchising typically follow the export-import phase of globalization.
Answer: TRUE
Explanation: An example of licensing would be to sell the rights to bottle a well-known soft drink to a plant in another country. A franchise might allow restaurants to use a well-known chain's name and products in another country.
Diff: 2  Page Ref: 50
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

16) In a strategic alliance, companies join together to form a separate entity to produce a product.
Answer: FALSE
Explanation: In a strategic alliance, companies join together to create a product. When the joined companies create a separate organization to create their product, the enterprise is called a joint venture.
Diff: 2  Page Ref: 50
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management
17) Managers with a parochial view of the world tend to see things from the point of view of a foreign culture.
Answer: FALSE
Explanation: Parochialism is a narrow, rather than a broad, point of view. A manager with a parochial view sees things only through his or her own culture and does not try to understand the perspective of a person from another culture.
Diff: 2 Page Ref: 51
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

18) French organizations have a very different view of status than American organizations.
Answer: TRUE
Explanation: The French see status as the sum of such factors as education, experience, and seniority. American organizations tend to confer status only for individual achievements.
Diff: 3 Page Ref: 52
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

19) According to Hofstede, countries such as Singapore and Japan are more collectivist than the United States.
Answer: TRUE
Explanation: Hofstede's framework rates Japan and Singapore as "collectivist" and the United States as "individualistic." A collectivist culture has a stronger group identity than an individualistic culture.
Diff: 2 Page Ref: 52
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

20) The United States is an example of a country with small power distance.
Answer: TRUE
Explanation: Having a low power distance indicates that people in a culture do not tolerate excessive asymmetries in power in their communities. If the United States has a low power distance it means that people are wary of a "big boss" who controls many institutions in a community. Conversely, a culture with a high power distance would be more accepting of a "big boss" in their midst.
Diff: 2 Page Ref: 52-53
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations
21) A society with high uncertainty avoidance relies on rules and trusts its social institutions to deal with an uncertain future.
Answer: TRUE
Explanation: High uncertainty avoidance indicates a culture that relies on rules and social institutions to deal with uncertainty. People in a society with low uncertainty avoidance prefer fewer rules that are more flexible and rely less on formal social institutions.
Diff: 3 Page Ref: 52-53
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

22) Cultures with a high assertiveness rating tend to have people who are timid and shy.
Answer: FALSE
Explanation: A high assertive rating is the opposite of being timid and shy. Assertive people are confrontational and not reluctant to demand what they want.
Diff: 2 Page Ref: 52-53
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

23) Future orientation is a measure of how successful a society is at delaying gratification.
Answer: TRUE
Explanation: People who delay gratification are able to turn down small rewards in the present to reap larger rewards in the future. Societies that save for the future are generally successful.
Diff: 2 Page Ref: 53
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

24) Hofstede based his ratings on the traits of people of different nationalities with whom he was personally acquainted.
Answer: FALSE
Explanation: Hofstede's results were based on interviews of over 100,000 IBM employees in 40 countries, not people he knew personally.
Diff: 2 Page Ref: 52
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

25) Hofstede's findings were not confirmed by later studies.
Answer: FALSE
Explanation: Hofstede's findings were generally confirmed by the GLOBE study that was completed in 2001. Categories were added and modified somewhat, but both studies had the same general results. For example, Japan rated high on the collectivism scale for both Hofstede's and the GLOBE study.
Diff: 2 Page Ref: 52-53
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations
26) There is little evidence that managers of major organizations ever fail to act responsibly and ethically.
Answer: FALSE
Explanation: Several high-profile scandals indicate that there is a great deal of evidence that managers fail to act responsibly and ethically. The exploits of Enron, Bernard Madoff, AIG, HealthSouth and many others provide examples of managers of major organizations failing to act responsibly and ethically.
Diff: 2 Page Ref: 54
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management

27) The classical view of organizational social responsibility is that management's only social responsibility is to maximize profits.
Answer: TRUE
Explanation: The classical view is hard to argue with. If a profit-making organization's goal is to make money for the stockholders, any activity that fails to maximize profits can be seen as "cheating" the stockholders.
Diff: 2 Page Ref: 54
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management

28) In the socioeconomic view of organizational social responsibility, management's responsibility includes protecting and improving society.
Answer: TRUE
Explanation: The socioeconomic view assumes that the organization is part of society and that all parts of society have a responsibility to do their share to do good. If one component of society feels exempt from this responsibility then others will quickly follow in kind, breaking the social compact and inviting chaos.
Diff: 2 Page Ref: 54
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management

29) One argument against businesses championing social responsibility issues is that being socially responsible can harm an organization's public image.
Answer: FALSE
Explanation: In today's world, rather than harm an organization's public image, being socially responsible serves to improve an organization's public image, identifying it as a force for good.
Diff: 1 Page Ref: 55
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management
30) Long-term stability and the long-term ability to make profits is an argument for social responsibility. 
Answer: TRUE
Explanation: Socially responsible companies tend to have more long-term stability and ability to make profits than their counterparts that are not socially responsible. Presumably, a better public image of being socially responsible helps build company loyalty, which in turn becomes an important asset during hard economic times.
Diff: 2 Page Ref: 55
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management

31) As long as it has broken no laws and done nothing unethical, a business has fulfilled its obligation to society.
Answer: FALSE
Explanation: People today believe that since a business is given the opportunity to function in an economic arena, it is obligated to do more than just avoid criminal or unethical actions. Instead, a business is obligated to improve conditions in the world.
Diff: 2 Page Ref: 54-55
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management

32) A good example of social responsiveness is a company whose managers conduct business in an ethical way and strictly follows all local laws.
Answer: FALSE
Explanation: Social responsiveness requires the organization to be responsive to some popular social need. For example, a company that builds a community recreation center in a community that lacks facilities is being socially responsive.
Diff: 3 Page Ref: 54-55
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management

33) Any action that is illegal is unethical and any action that is legal is ethical.
Answer: FALSE
Explanation: There are many things that are legal but not ethical. For example, it is legal to be wasteful with fossil fuels, but given the problems we face today with global climate change, pollution, and high energy prices, this wastefulness is clearly not ethical.
Diff: 3 Page Ref: 56-57
AACSB: Ethical understanding and reasoning abilities
Objective: 3.3
Learning Outcome: Discuss the role of ethics and social responsibility in management
34) Having a written code of ethics ensures that an organization's members will behave ethically.
Answer: FALSE
Explanation: Over 90 percent of organizations, large and small, have written codes of ethics. Yet, that doesn't prevent organizations like Enron from committing wildly unethical and illegal acts.
Diff: 2 Page Ref: 58
AACSB: Ethical understanding and reasoning abilities
Objective: 3.3
Learning Outcome: Discuss the role of ethics and social responsibility in management

35) A utilitarian view of ethics focuses on consequences and the greatest good for the greatest number of people.
Answer: TRUE
Explanation: The utilitarian view holds that the most ethical position is the one that is best for the greatest number of people.
Diff: 3 Page Ref: 57
AACSB: Ethical understanding and reasoning abilities
Objective: 3.3
Learning Outcome: Discuss the role of ethics and social responsibility in management

36) A theory of justice view of ethics focuses on individual liberties and privileges.
Answer: FALSE
Diff: 2 Page Ref: 57
AACSB: Ethical understanding and reasoning abilities
Objective: 3.3
Learning Outcome: Discuss the role of ethics and social responsibility in management

37) Workplace diversity focuses on the differences between people, but not their similarities.
Answer: FALSE
Explanation: Workplace diversity should focus on both the differences and the similarities between people.
Diff: 2 Page Ref: 60
AACSB: Multicultural and diversity understanding
Objective: 3.4
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

38) The U.S. workforce is now over 50 percent female.
Answer: FALSE
Explanation: The U.S. workforce now stands at 49.8 percent female. With changes in employment that are likely to take place after the current recession ends, women soon are likely to make up the majority of workers.
Diff: 1 Page Ref: 61
AACSB: Multicultural and diversity understanding
Objective: 3.4
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations
39) Caterpillar is forced to have flexible work times because it deals with suppliers or customers who may be 8 to 10 time zones away.
Answer: TRUE
Explanation: Caterpillar's employees can be found working at any time during any day of the week.
Diff: Page Ref: 63
AACSB: Multicultural and diversity understanding
Objective: 3.4
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

40) Today's younger workers tend to give family a higher priority than their jobs.
Answer: TRUE
Explanation: Younger workers put a premium on their family time.
Diff: Page Ref: 63
AACSB: Multicultural and diversity understanding
Objective: 3.4
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

41) It is predicted that contingent workers will make up 40 percent of the workforce by the end of the decade.
Answer: TRUE
Explanation: Currently, 30 percent of the workforce is contingent workers, but the number of contingent workers is expected to rise.
Diff: Page Ref: 63
AACSB: Multicultural and diversity understanding
Objective: 3.4
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

42) Managers should expect contingent workers and core employees to be equally committed to the organization's goals.
Answer: FALSE
Explanation: Contingent workers are employees who work part-time, just for a specific project, or as needed on a provisional basis. Since they usually work on a temporary interim basis, managers cannot expect contingent workers to have the same level of commitment to and identification with the organization that permanent, full-time employees have.
Diff: Page Ref: 64
Objective: 3.4
43) Which of the following identifies the most important reason for Deutsche Telekom's decision to increase its percentage of female managers?
A) to remedy women for injustices suffered
B) to improve the company image
C) to make the company operate better
D) to avoid lawsuits
Answer:  C
Explanation:  C) Deutsche Telekom undoubtedly is aware that it may improve its image from having more female executives. It may also avoid lawsuits and address a sense of injustice toward women from past treatment. However, the overriding reason for increasing the number of female managers is that collectively they will make Deutsche Telekom a better company, according to CEO René Obermann.
Diff: 2    Page Ref: 47
AACSB:  Multicultural and diversity understanding
Objective:  3.1
Learning Outcome:  Discuss different ways managers work with and promote diversity in organizations

44) Which fact best addresses the question of whether or not women have achieved equality in today's business world?
A) Women make up almost half of the workforce.
B) Many women hold senior management positions.
C) Pay scales for women have risen in recent years.
D) Three percent of Fortune 500 CEOs are women.
Answer:  D
Explanation:  D) Though women have made great strides in many work areas, hold important positions in many firms, and have closed some of the male-female income gap, the most telling statistic here identifies the extremely low number of female Fortune 500 CEOs. Until women are better represented at the highest corporate levels, it would be wrong to say that they have achieved equality.
Diff: 3    Page Ref: 48
AACSB:  Multicultural and diversity understanding
Objective:  3.1
Learning Outcome:  Discuss different ways managers work with and promote diversity in organizations
45) How do global supply chains resemble biological organisms?
A) Global supply chains are highly resilient in many ways, yet show marked vulnerability to seemingly small events.
B) Global supply chains are highly resilient in many ways, yet they show a marked need for increasing amounts of energy.
C) Global supply chains are highly resilient in many ways, yet they show a marked need for conflict and war.
D) Global supply chains are highly resilient in many ways, yet show marked vulnerability to microscopic intruders.
Answer: A
Explanation: A) Global supply chains can withstand the local ups and downs of a routine marketplace surprisingly well. One might think that some distant disaster might be sloughed off by these resilient systems, yet global supply chains can be rendered dysfunctional by events that occur more than 10,000 miles away.
Diff: 2     Page Ref: 48
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

46) When did global trade first make its appearance?
A) in the late 1980s and early 1990s
B) in the 21st century
C) several centuries ago
D) during the Bronze age
Answer: C
Explanation: C) Nations have been actively trading with one another for hundreds of years. It would be a stretch to say that global trade began in the Bronze age, but nations were actively trading with one another across international borders easily back to the days of Christopher Columbus, and perhaps back to the days of the Roman Empire.
Diff: 2     Page Ref: 48
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management
47) A global village can be best characterized as a business climate in which there are ________.
A) rigid international boundaries  
B) no international boundaries  
C) rigid rules and standards  
D) no rules or standards  
Answer: B
Explanation: B) A global village is a world in which boundaries between countries largely disappear between countries. In a global organization, different operations of the same organization can be located across the globe from one another. Rules and standards in a globalized world still exist, but they need to be flexible to conform to local customs, laws, and traditions.
Diff: 1     Page Ref: 48
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

48) Which of the following is NOT a key characteristic of a global organization?
A) exchanges goods and services with consumers in other countries  
B) employs high-level technical employees and managerial talent from other countries  
C) uses resources from other countries  
D) has a home country in which all decisions are made and all profits flow  
Answer: D
Explanation: D) On the most basic level, global organizations exchange with foreign countries. Having executives and top-level managers who are not domestic increases an organization's global profile, while being funded and receiving other resources from nondomestic sources (financial globalization) increases the global profile to an even greater degree. Finally, not all global organizations claim a home country. Transnational organizations integrate operations in several locations without designating one of them as the home base.
Diff: 2     Page Ref: 48-49
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management
49) A multinational corporation (MNC) ________.
A) is any organization that maintains operations in more than one country
B) is defined as a company that has its home base in the United States and various operations overseas
C) includes any company that exports goods overseas
D) is defined as any company that has no home base
Answer: A
Explanation: A) An MNC is any corporation that has operations in more than one country. The typical MNC has its headquarters in its home country and other operations in other countries. A company with its home base in the United States and various operations overseas seems nearly correct but fails to take transnational organizations—organizations that don't have a home base—into account. A company that exports goods overseas is incorrect because a company can easily ship overseas without having overseas operations.
Diff: 2 Page Ref: 49
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

50) A global corporation ________.
A) centralizes management in a single home country
B) decentralizes management so that each local country's operation is managed locally
C) decentralizes management so there is no single home location
D) has two main management locations located on different sides of the globe
Answer: A
Explanation: A) A global corporation is the classic stereotype of an MNC with domestic centralized management in the home country that coordinates operations overseas. Deutsche Bank is an example of a typical global corporation. Decentralizing management so that each local country's operation is managed locally is an example of a multidomestic corporation. Decentralizing management so there is no single home location describes a transnational corporation. Having two main management locations on different sides of the globe may exist, but it is not a recognized model of an MNC.
Diff: 2 Page Ref: 49
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

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51) ________ is a good example of a multidomestic corporation.
A) Coca-Cola
B) Nestlé
C) Procter & Gamble
D) The New York Yankees
Answer: B
Explanation: B) In a multidomestic corporation, operations in each country are controlled locally. Products and services offered by the company in one country may differ from those offered in another country. Nestlé is a classic example of a multidomestic with fairly autonomous structures in different countries that are overseen by the parent company. Both Coca-Cola and Procter & Gamble are centralized global corporations, not multidomestics. The Yankees, on the other hand, are strictly a domestic organization with significant operations only in the United States.

Diff: 2 Page Ref: 49
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

52) Which of the following best characterizes a transnational corporation?
A) a single central home-country management
B) an organization in which multiple operations function with a large degree of autonomy
C) a loose alliance of totally separate, wholly independent companies
D) a company that eliminates geographical boundaries
Answer: D
Explanation: D) A transnational corporation is a "borderless organization" of multiple operations that have no single home base. This rules out a single central home-country management since a transnational is not centralized and has no home country. The choices regarding having multiple operations function with a large degree of autonomy and loose alliance of separate companies are not correct because operations in a transnational are integrated and do not work independently of one another.

Diff: 2 Page Ref: 49
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management
53) Which of the following would NOT be called an "American company"?
A) a multidomestic with a home base in Memphis, Tennessee
B) a global corporation that originated in Dallas, Texas and has operations in 12 countries
C) a transnational that originated in New York City with operations in 6 countries
D) a global corporation that began in Japan but has since relocated and now has its sole headquarters in Chicago
Answer: C
Explanation: C) The multidomestic in Memphis, the global corporation from Dallas, and the global corporation that now has its headquarters in Chicago may have different managing arrangements, but all three have a home base in the United States and none of the three are transnationals. That means that all three are "American companies." That cannot be said of a "borderless" transnational that has no real home base and therefore cannot be identified as an "American company."
Diff: 3 Page Ref: 49
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

54) Which choice constitutes the typical first step for an organization that is "going global"?
A) outsourcing
B) franchising
C) licensing
D) strategic alliance
Answer: A
Explanation: A) To go global, a company usually begins by global sourcing or outsourcing, in which the company purchases materials or labor from a foreign market at a lower price than it can obtain from its domestic market. Steps that follow outsourcing include franchising and licensing, both of which involve selling an organization's brand name and other trade practices for a fee. An even later stage involves a strategic alliance, in which the company forms a partnership with a foreign organization.
Diff: 2 Page Ref: 50
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management
55) Franchising is used widely by ________.
A) universities
B) accounting firms
C) restaurant chains
D) electric power companies
Answer:  C
Explanation:  C) Franchising involves selling the rights to do business under a company brand name, using the tried-and-true methods developed by the company. This type of operation works especially well with such businesses as restaurant chains, which develop a recognizable image and menu that they sell to local business people who set up independent restaurants that are often supplied by the parent company. None of these methods would work well for universities, accounting firms, or power companies because none of these services could be easily duplicated at a location that was separate from the primary enterprise.
Diff: 2    Page Ref: 50
Objective:  3.1

56) Which of the following is usually found in the final stage of an organization's global evolution?
A) exporting products to other countries
B) outsourcing jobs to foreign countries
C) establishing strategic alliances with partners
D) licensing products in foreign countries
Answer:  C
Explanation:  C) The sequence of events for "going global" typically begins with outsourcing labor and materials to other countries, followed by exporting and importing, then licensing products to foreign markets. The third and final stage of the process includes forming a strategic alliances with foreign partners such as joint ventures. A strategic alliance represents a more "global" stage than the others because it transfers some decision-making authority of the organization to its foreign partner, thereby decentralizing and thus globalizing the power of the organization.
Diff: 2    Page Ref: 50
AACSB:  Dynamics of the global economy
Objective:  3.1
Learning Outcome:  Identify the fundamental concepts and issues of international business and management

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57) A fully global organization might set up a ________ with a foreign company to create a new, independent company that produces a specific product.
A) foreign subsidiary
B) franchise
C) licensing agreement
D) joint venture
Answer: D
Explanation: D) A joint venture is a special kind of strategic alliance that uses the talents and expertise of two separate companies to create a specific product. A joint venture is a type of strategic alliance, but it differs from a strategic alliance in that a new, independent company is created in a joint venture but not in a generic strategic alliance. A licensing agreement is a type of partnership, but it does not create a new product or a separate, new company. A franchise gives an organization the right to use a company's name, brand, and products, but it does not create a new product. Finally, a foreign subsidiary is not the correct choice here because it is a foreign branch of an existing company and not a type of partnership between companies.
Diff: 2 Page Ref: 50-51
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

58) Of the approaches to pursuing international markets, developing a ________ involves the greatest commitment and risk.
A) franchise
B) joint venture
C) strategic alliance
D) foreign subsidiary
Answer: D
Explanation: D) Unlike the other three choices, a foreign subsidiary is not a partnership with an existing foreign company. Instead, a foreign subsidiary requires an organization to commit resources to build an entire facility in a foreign country. Without a partner for guidance or shared responsibility, if things go wrong the organization itself will bear all consequences of the failure—making the subsidiary the riskiest of all four ventures.
Diff: 2 Page Ref: 50-51
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management
59) Joint ventures are a type of ________.
A) license
B) franchise
C) foreign subsidiary
D) strategic alliance
Answer: D
Explanation: D) A joint venture is a special type of strategic alliance. In a generic strategic alliance, companies merely form a partnership to create a new product. A joint venture is not merely a partnership: it creates an entirely new entity that bears the name of neither partner and is separate from each organization. A license or franchise does not qualify as a strategic alliance because the parent company maintains control of the product—it merely sells the right to produce the product to a foreign entity. A foreign subsidiary, on the other hand, is not an alliance of any type. Instead, it is a branch of the original organization that has been built on foreign soil.
Diff: 2 Page Ref: 50-51
AACSB: Dynamics of the global economy
Objective: 3.1

60) A Coca-Cola bottling plant in Bolivia is wholly owned by a local businessperson. What kind of venture is this plant likely to be?
A) a franchise
B) a licensed plant
C) a foreign subsidiary
D) a joint venture
Answer: B
Explanation: B) The plant cannot be a joint venture or foreign subsidiary because it is owned by the local businessperson. The plant is not likely to be a franchise because it is is marketing a single product—Coca-Cola—rather than an entire operation. That leaves the correct response, a licensed plant. The company has licensed the right to produce Coca-Cola to the local businessperson who has complete control of the plant.
Diff: 2 Page Ref: 50-51
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management
61) Which of the following is the best synonym for the word parochial?
A) religious
B) catholic
C) broad
D) narrow
Answer: D
Explanation: D) A parochial view is a narrow view of the world. The word parochial is often associated with religious schools (such as Roman Catholic schools) because those schools have a narrow focus—they serve only members of the church. Note that a Jewish or Muslim school can also be called a parochial school, so the term has no attachment to "catholic" or the Roman Catholic faith. In fact, the term catholic itself means "broad"—the opposite of the meaning of parochial.

Diff: 1 Page Ref: 51
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

62) Parochialism is ________.
A) acceptance of diverse points of view
B) a desire to leave one's own culture for a foreign culture
C) a tendency to view the world through a single perspective
D) recognition of diverse religious beliefs
Answer: C
Explanation: C) A manager with a parochial point of view assumes that there is only one way to view the world—his way—and that all people, despite their different traditions, culture, upbringing, and life experiences should share his values and beliefs. Parochialism is a form of arrogance because it fails to accept the possibility that other points of view can be valid. For this reason, the choices regarding acceptance of diverse points of view and recognition of diverse religious beliefs are incorrect. The choice regarding a desire to leave one's culture is incorrect because abandoning one's culture constitutes an appropriation, not a rejection, of a divergent point of view and is therefore the opposite of parochial.

Diff: 2 Page Ref: 51
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations
63) Status in France within a corporation is largely ________.
A) measured in the same way it is in the United States.
B) based on how much money a person makes
C) based on such things as seniority and educational level
D) based on an individual's personal accomplishments
Answer: C
Explanation: C) A look at how status in France is measured provides an example of how values can be different in different cultures. In the United States, status is generally based on a person's accomplishments. In France, seniority and education level are much more important for determining status. Money is probably more important for status than either culture is willing to admit, but in any event, it has not been identified as the primary factor for conferring status.
Diff: 2 Page Ref: 52
AACSB: Dynamics of the global economy
Objective: 3.1

64) In his study of differences in cultural environments, Geert Hofstede found that ________.
A) people are largely the same from culture to culture with respect to values
B) the views of managers differ greatly from those of employees with respect to values
C) the views of IBM employees differ widely from the general population with respect to values
D) people vary from culture to culture in five value categories
Answer: D
Explanation: D) Hofstede's landmark study showed that different cultures varied widely in values that Hofstede termed cultural dimensions. This eliminates the choice regarding people being largely the same culture to culture as a correct response, since views varied widely. Hofstede did not indicate any great difference in the views of managers versus employees or IBM employees versus the general population.
Diff: 2 Page Ref: 52
AACSB: Multicultural and diversity understanding
Objective: 3.1

65) ________ is a cultural dimension measured by Hofstede in which people identify strongly with a group within a society.
A) Power distance
B) Collectivism
C) Individualism
D) Uncertainty avoidance
Answer: B
Explanation: B) Hofstede measured individualism and collectivism on the same scale. Individualism measured how independent people considered themselves, while collectivism measured how strongly they identified with a group. The more individualistic a person was, the less collectivist he or she tended to be. The dimensions of power distance and uncertainty avoidance are not measures of the strength of a person's identification with a group so neither is a correct response.
Diff: 1 Page Ref: 52
AACSB: Multicultural and diversity understanding
Objective: 3.1
66) Which of the following would be likely to be true in a country with a high power distance?
A) Hundreds of statues, billboards, and posters of the leader would appear all over the capital.
B) The leader's likeness would appear only in the newspaper from time to time.
C) Top managers and employees would dress in similar ways.
D) Rather than employ a driver, top managers would drive their own cars to work.
Answer: A
Explanation: A country with high power distance would tolerate leaders having enormous amounts of power and prestige. That corresponds to the choice regarding a leader who plasters his image all over the city. The other three choices describe a more humble leader and a situation of low power distance. The image of an all-powerful leader describes a situation of high power distance.
Diff: 3 Page Ref: 52
AACSB: Multicultural and diversity understanding
Objective: 3.1

67) A country with a high uncertainty avoidance _______.
A) is highly structured and depends on rules and social institutions to cope with uncertainty
B) is highly structured and does not depend on rules and social institutions to cope with uncertainty
C) has no rules
D) has no structure or social institutions
Answer: A
Explanation: Uncertainty avoidance is the degree to which a society is structured, depends on rules, and looks to its social institutions to deal with uncertainty. Countries with high uncertainty avoidance are not comfortable with unstructured situations, so they tend to follow rules rather than have a flexible point of view when faced with uncertainty. India, for example, has a high uncertainty avoidance rating, so it tends to avoid making tough decisions and relies on rules in unstructured situations. The correct choice describes a rule-following society with high uncertainty avoidance. None of the other choices describes a society that depends on rules or social institutions, so all of those choices describe countries with low uncertainty avoidance.
Diff: 3 Page Ref: 52-53
AACSB: Multicultural and diversity understanding
Objective: 3.1

68) In a country with a low uncertainty avoidance, people cope with uncertainty _______.
A) by following rules and depending on social institutions
B) by making new rules
C) largely without rules or strong social institutions
D) by looking to the religious teachings
Answer: C
Explanation: Low uncertainty avoidance identifies a society that doesn't depend on rules or social institutions such as religion to cope with uncertainty. In countries that have a low uncertainty avoidance rating, people don't shy away from uncertain situations as much as high uncertainty avoidance cultures do, and they try to be creative and flexible in facing uncertainty, rather than relying on rules. The correct choice describes a society with low uncertainty avoidance, where people don't impose a lot of rules or restrictions on themselves. The other choices all describe cultures with high rather than low uncertainty avoidance.
Diff: 3 Page Ref: 52-53
AACSB: Multicultural and diversity understanding
Objective: 3.1
69) Societies with a high assertiveness rating would tend to be ________.
A) passive
B) excessively polite
C) competitive
D) uncertain
Answer: C
Explanation: C) Assertiveness is a measure of how tough, aggressive, and competitive a society is. This indicates that competitive is the correct response. Passive, excessively polite, and uncertain are all traits that are the opposite of assertive.
Diff: 2 Page Ref: 52-53
AACSB: Multicultural and diversity understanding
Objective: 3.1

70) In a society with high ________, you would expect members of a corporation to have a strong identification with the corporation.
A) gender differentiation
B) future orientation
C) in-group collectivism
D) humane orientation
Answer: C
Explanation: C) People who strongly identify with a corporation are displaying in-group collectivism by taking pride in the group they belong to. Identifying with a group is not related to gender role differences, how enthusiastically a society plans for the future, or how fair and altruistic a society aspires to be. Accordingly, in-group collectivism is the correct response.
Diff: 2 Page Ref: 52-53
AACSB: Multicultural and diversity understanding
Objective: 3.1

71) ________ is an attribute that describes how materialistic a society is.
A) Power distance
B) Quality of life
C) Quantity of life
D) Individualism
Answer: C
Explanation: C) Quantity of life and quality of life contrast how materialistic a society is as opposed to how caring and nonmaterialistic it is. Power distance has nothing to do with how materialistic people are, but rather how much they tolerate societal power imbalances. Individualism describes how independent members of a society are, not how materialistic they are.
Diff: 2 Page Ref: 52
AACSB: Multicultural and diversity understanding
Objective: 3.1
72) Which feature of Hofstede's work lends the study a great deal of validity?
   A) It measured attitudes of IBM employees.
   B) It measured attitudes of many successful people.
   C) The survey was carried out in the 1970s.
   D) It surveyed 116,000 people.
   Answer: D
   Explanation: D) The most compelling part of Hofstede's study was the enormous size of his sample. In
general, the greater the sample size a statistical study has, the more confidence its interpreters have in its
findings. In fact, being limited to IBM employees diminishes the study's credibility somewhat, as a more
diverse group of people probably would have provided a more representative sampling. The fact that the
study queried successful people and it took place in the 1970s lends it no extra credibility.
Diff: 2 Page Ref: 52
AACSB: Multicultural and diversity understanding
Objective: 3.1

73) Which of the following dimensions from the GLOBE framework has no equivalent counterpart in
Hofstede's framework?
   A) gender differentiation
   B) humane orientation
   C) future orientation
   D) individualism/collectivism
   Answer: A
   Explanation: A) Humane orientation roughly corresponds to Hofstede's quality of life category. Future
orientation corresponds to Hofstede's long-term versus short-term orientation.
Individualism/collectivism is virtually identical to Hofstede's individualism versus collectivism category.
Only gender differentiation has no counterpart in the Hofstede study, so it is the correct response.
Diff: 2 Page Ref: 52-53
AACSB: Multicultural and diversity understanding
Objective: 3.1

74) Which of the following best summarizes Blake Mycoskie's business philosophy?
   A) A business should be ethical but not socially responsible.
   B) A business should be socially responsible but not ethical.
   C) A business should be both ethical and socially responsible.
   D) A business should not worry about being either ethical or socially responsible.
   Answer: C
   Explanation: C) Blake Mycoskie, the founder of TOMS shoes, puts his money where his philosophy is.
TOMS blends charity with commerce in a unique way. For each pair of shoes that TOMS sells, one other
pair is donated to a child who needs shoes. TOMS shows that a company can be socially responsible and
ethical, yet still make a healthy profit.
Diff: 2 Page Ref: 54
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
75) The cases of Enron and Bernard Madoff go beyond a question of ethics because in both cases ________.
A) laws were clearly broken  
B) many people were hurt  
C) billions of dollars were involved  
D) no harm was intended and they had good reasons for what they did  
Answer:  A  
Explanation:  A) The line between ethics and crime is crossed when laws are broken. This is clearly what happened in the Enron and the Madoff cases—in both situations individuals committed crimes and ended up going to prison for those crimes. The fact that billions of dollars were involved, many people lost their life savings, and the perpetrators may have claimed to have excuses for what they did does not change the fact that people behaved both unethically and illegally in both cases.  
Diff: 2   Page Ref: 54  
AACSB:  Ethical understanding and reasoning abilities  
Objective:  3.2  
Learning Outcome:  Discuss the role of ethics and social responsibility in management

76) The classical view of social responsibility is that a for-profit organization's responsibility is ________.
A) to help as many people as possible  
B) to maximize both profits and the general welfare  
C) to maximize profits only  
D) to maximize opportunity for all  
Answer:  C  
Explanation:  C) The classical view of social responsibility is a purely economic view that looks at profits only. A for-profit company exists to make money. Therefore, its only responsibility is to maximize profits. Any actions for social good, such as to help people, create opportunity, or to improve the general welfare, would be looked upon as irresponsible because these actions would divert the organization from its stated goal.  
Diff: 2   Page Ref: 54  
AACSB:  Ethical understanding and reasoning abilities  
Objective:  3.2  
Learning Outcome:  Discuss the role of ethics and social responsibility in management

77) A company that meets its social obligation ________.
A) fulfills its economic responsibilities only  
B) fulfills its legal and economic responsibilities only  
C) goes beyond its legal and economic responsibilities and responds to some pressing social need  
D) does not need to obey local laws  
Answer:  B  
Explanation:  B) An organization's social obligation includes following legal and economic responsibilities only. Anything above that, such as responding to a pressing social need, is beyond the organization's social obligation.  
Diff: 2   Page Ref: 54  
AACSB:  Ethical understanding and reasoning abilities  
Objective:  3.2  
Learning Outcome:  Discuss the role of ethics and social responsibility in management

78) Which of the following is the best example of a company being socially responsive?
A) meeting hazardous materials standards  
B) giving Christmas bonuses to worthy employees  
C) displaying "think green" posters  
D) building a community day-care center  
Answer: D  
Explanation: D) Social responsiveness requires that an organization respond to some social need that has been identified within the community. Of the choices listed, only building a day-care center meets this requirement so it is the correct response. Meeting hazardous materials standards is simply an example of following the law. Christmas bonuses may be generous, but they are helping members of the organization, not the community at large. "Think green" posters may help people take action on environmental matters, but the posters themselves do not constitute effective actions that respond to a social need.  
Diff: 3 Page Ref: 54  
AACSB: Ethical understanding and reasoning abilities  
Objective: 3.2  
Learning Outcome: Discuss the role of ethics and social responsibility in management

79) The classical view of social responsibility holds that spending time, money, labor, or energy to improve society's welfare would _______.  
A) deprive stockholders of resources that could be used to generate profits  
B) not have any positive or negative impact on stockholders  
C) help maximize profits for stockholders  
D) show stockholders that the company knows best  
Answer: A  
Explanation: A) The classical view of social responsibility holds that any use of resources that does not explicitly seek to increase profits is wasteful and deprives stockholders of the income that would otherwise be theirs. This means that spending on social welfare has a negative impact on profits, thus ruling out the choices regarding not having any impact on stockholders and maximizing profits for stockholders as correct responses. The idea that the company knows better than stockholders is not part of the classical view of social responsibility.  
Diff: 2 Page Ref: 54  
AACSB: Ethical understanding and reasoning abilities  
Objective: 3.2  
Learning Outcome: Discuss the role of ethics and social responsibility in management
80) The socioeconomic view of social responsibility states that a business ________.  
A) is an economic agent only  
B) has no responsibility  
C) is a moral agent  
D) is a harmful agent  
Answer:  C  
Explanation:  C) A socioeconomic view of social responsibility sees businesses as more than just economic entities. A socioeconomic view of social responsibility sees businesses as entities that have moral responsibilities. Since a business exists within a sphere that is both economic and moral, a business should be considered to be both an economic and a moral agent. This eliminates economic agent and harmful agent as the correct response and identifies moral agent as the correct response. Note that as a moral agent, a business defines itself as a force for good or bad by its actions.  
Diff:  2  Page Ref:  54  
AACSB:  Ethical understanding and reasoning abilities  
Objective:  3.2  
Learning Outcome:  Discuss the role of ethics and social responsibility in management  

81) The socioeconomic view is that management's social responsibility goes beyond making profits to include ________.  
A) challenging norms within society and inciting people to rise up against injustice  
B) protecting and improving society's welfare  
C) sacrificing its own welfare to advance the cause of justice  
D) prosecuting those who break the law  
Answer:  B  
Explanation:  B) The socioeconomic view sees organizations as moral citizens of the society with a moral role to play. The view goes only as far as an organization looking after the general welfare of society as best it can in ways that are reasonable and not overly onerous. It does not suggest that organizations take on a revolutionary role, prosecute lawbreakers, or harm themselves in any way to fight injustice.  
Diff:  2  Page Ref:  54  
AACSB:  Ethical understanding and reasoning abilities  
Objective:  3.2  
Learning Outcome:  Discuss the role of ethics and social responsibility in management
82) When a company does the minimum that the law requires, it is meeting its ________.
A) social responsiveness goal
B) economic responsibility
C) ethical responsibility
D) social obligation
Answer: D
Explanation: D) Social responsiveness goes beyond the minimum that the law requires and entails responding to some popular social need. An ethical responsibility also goes beyond a minimal legal stance, requiring a company not only to obey all laws but also to behave in a way that is fair and just. An economic responsibility requires the firm to pursue financial goals only. That leaves a social obligation, which may include only what is legally necessary as the minimum that a company must do.

83) A factory that has adhered to all pollution control standards has ________.
A) been socially responsive
B) been economically responsible
C) been ethical
D) met its social obligation
Answer: D
Explanation: D) Social responsiveness would require the factory to do more than simply follow the law; it would need to respond to some societal need as well. Economic responsiveness would require the factory to meet its goals with respect to financial considerations. There is no way of knowing whether meeting pollution controls would accomplish this. Similarly, meeting pollution standards does not guarantee a factory has behaved ethically. Meeting those standards does, however, show that the factory's social obligation has been met.

84) Social responsiveness refers to the capacity of a firm to ________.
A) address some pressing public need
B) follow all government regulations
C) differentiate between right and wrong
D) be a role model for other organizations
Answer: A
Explanation: A) Social responsiveness must address some public need, such as improving the environment or helping people who lack the basic necessities of life. Merely following government regulations, behaving ethically, or acting as a model for other organizations does not address a public need, so none of these choices is correct.

85) When a firm advertises that it only uses recycled paper products, it is ________.
A) meeting its social obligation
B) being cynical
C) being socially responsive
D) paying attention to the bottom line
Answer: C
Explanation: C) In using recycled paper products, the firm is meeting a societal need of reducing the amount of waste in the environment, so it qualifies as social responsiveness. A social obligation does only what the law requires, so unless there are laws requiring mandatory recycling, this act goes beyond what the law requires and does not qualify as social responsiveness. Recycling may not improve a company's bottom line, so recycling cannot be classified as paying attention to the bottom line. Similarly, though recycling can be done purely to improve a company's public image, there is no way of proving that the act has even a small element of cynicism.

86) Proponents of the socioeconomic view of social responsibility believe that being socially responsive is ________.
A) good for business
B) bad for business
C) neither good nor bad for business
D) bad for any business in a competitive market
Answer: A
Explanation: A) Supporters of the socioeconomic view think that being socially responsive gives an organization a positive public image that in the long run pays for itself in customer loyalty and profits. Being good for business rules out the choices regarding being bad for business and neither good nor bad for business as correct choices. Positing that social responsibility is harmful only in competitive markets is beside the point since almost all businesses operate within competitive markets.
87) _______ dictates that being socially responsible is the "right thing to do."
A) A public image  
B) An ethical obligation  
C) A public expectation  
D) A dilution of purpose  
Answer: B  
Explanation: B) A public image identifies the favorable publicity that an organization can get from being socially responsible, but it does not identify socially responsible behavior as the right thing to do. Similarly, public expectation reflects the modern attitude of people toward organizations, not a mandate of what must be done. A dilution of purpose is actually an argument against being socially responsible, so it is not a correct choice here. An ethical obligation is the correct response because it does require that individuals or organizations do the "right thing."  
Diff: 2 Page Ref: 55  
AACSB: Ethical understanding and reasoning abilities  
Objective: 3.2  
Learning Outcome: Discuss the role of ethics and social responsibility in management  

88) Supporters of social responsibility claim that being socially responsible _______.
A) increases short-term profits  
B) decreases long-term profits  
C) increases long-term profits  
D) decreases short-term profits  
Answer: C  
Explanation: C) Supporters claim that being socially responsible is good for business, builds customer loyalty, and over the long run increases profits. Supporters make no claims for short-term profits, thus eliminating answer choices that mention increases and decreases in short-term profits. Decreases long-term profits is incorrect because it states the opposite of the actual claim that supporters of being socially responsible make.  
Diff: 2 Page Ref: 55  
AACSB: Ethical understanding and reasoning abilities  
Objective: 3.2  
Learning Outcome: Discuss the role of ethics and social responsibility in management
89) Supporters of socially responsible businesses claim that by becoming socially responsible, businesses can expect ________.
A) less government regulation
B) more government regulation
C) more strict enforcement of laws
D) more government interference
Answer: A
Explanation: A) The case that supporters make is that the more socially responsible companies are, the more government will trust them to do the right thing and the less government will see the need to intervene with regulations. This eliminates more government regulation and interference as correct choices because they both increase rather than decrease the amount of government intervention. It also militates against more strict enforcement of laws, which can be thought of as an indirect form of government interference.
Diff: 2 Page Ref: 55-56
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management

90) Since businesses have more power and resources than ordinary individuals, supporters of social responsibility claim that businesses have ________.
A) a good reason to ignore the needs of ordinary individuals
B) no reason to act in a socially responsible way
C) more reason to act in a socially responsible way
D) less reason to act in a socially responsible way
Answer: C
Explanation: C) The very size and influence of businesses require them to do more than ordinary individuals to advance the public welfare, supporters of social responsibility argue. Since society allows the organization to have its privileged position of power and influence, the organization owes society a larger debt than any individual citizen. These ideas make "more reason to act in a socially responsible way" the correct response and rule out the other choices, all of which claim to diminish, rather than increase, the moral obligation of a business.
Diff: 2 Page Ref: 55-56
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management
91) Most studies have shown that companies that engage in social involvement ________.
A) receive a small positive benefit  
B) receive an enormous positive benefit  
C) experience a small negative effect  
D) experience an enormous negative effect  
Answer: A  
Explanation: A) The consensus for those who have tried to measure the impact of social involvement on company performance is that companies experience a small improvement in performance. However, no generalizations about the impact of social involvement can be made because the effect seems to vary greatly according to company size, type of industry, external conditions, and so on.  
Diff: 2 Page Ref: 55-56  
AACSB: Ethical understanding and reasoning abilities  
Objective: 3.2  
Learning Outcome: Discuss the role of ethics and social responsibility in management

92) People who doubt that there is a relationship between company performance and social involvement think that this could account for any positive performance effect seen in companies that practice social involvement.
A) The only companies that practice social involvement are highly unsuccessful companies that try to use social involvement to improve their image in the marketplace.  
B) The only companies that practice social involvement are highly ambitious companies that use social involvement as a way to network and gain access to wealthy clients.  
C) The only companies that practice social involvement are highly successful companies that can afford to waste time and energy on social involvement as a "luxury."  
D) The only companies that practice social involvement are highly ambitious companies that use social involvement as a learning tool for their training programs.  
Answer: C  
Explanation: C) Those who are skeptical that social involvement has any impact on company performance feel that any positive effects shown in studies are mere artifacts. They think that social involvement is a luxury afterthought that successful companies indulge in when they no longer need to worry about their place in the market. For example, super-successful companies like Google can practice social involvement simply as an indulgence.  
Diff: 2 Page Ref: 55-56  
AACSB: Ethical understanding and reasoning abilities  
Objective: 3.2  
Learning Outcome: Discuss the role of ethics and social responsibility in management
93) Suppose that a study shows that companies that were not socially involved tended to be less profitable than socially involved companies. Which of the following can be concluded?
A) Social involvement definitely causes a company's profits to decrease.
B) Social involvement definitely causes a company's profits to increase.
C) Social involvement may cause a company's profits to increase.
D) Social involvement may cause a company's profits to decrease.
Answer: C
Explanation: C) A correlation cannot be mistaken for a cause and effect relationship. Here we see that lack of social involvement correlates with low profits. The correlation does not mean that lack of social involvement was the cause of low profits. For example, the low profit companies that were not socially involved may have avoided social involvement because these companies were unsuccessful and felt that they needed to devote their attention to the practical matter of becoming more profitable. In other words, they were a self-selected group of troubled companies that did not feel that they could take the time to be socially involved.

94) The argument against social responsibility that states that pursuing goals other than making profits diverts a company away from its primary goal of making profits is known as ________.
A) possession of resources
B) too much power
C) lack of skills
D) dilution of purpose
Answer: D
Explanation: D) When a company whose primary goal is to make profits uses its resources for anything other than making profits, it is said to be diluting its purpose. Too much power refers to a company acquiring an unfair oversupply of power from being socially responsible while lack of skills makes the argument that managers are not competent to tackle social issues. Finally, possession of resources is an argument for, not against, social responsibility.

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95) One prominent argument against being socially responsible makes the claim that business managers are ________ to address social concerns.
A) too impractical
B) not competent
C) too wealthy
D) too out of touch
Answer:  B
Explanation:  B) No one makes the claim that business leaders are too impractical or too out of touch to be socially responsible, though the ideas may have a small measure of validity. Similarly, wealthy business leaders would in no way be prevented from addressing social concerns and in fact, according to the idea of noblesse oblige, wealth might be a good reason to act in a socially responsible way. That leaves the choice on not being competent that states that many people think that business leaders, not having training in social areas, are not qualified to try to help in these areas as the correct response.

Diff: 2     Page Ref: 55
AACSB:  Ethical understanding and reasoning abilities
Objective:  3.2
Learning Outcome:  Discuss the role of ethics and social responsibility in management

96) Those arguing against being socially responsible might make the claim that costs for social goals are ultimately ________.
A) paid for by the people being helped
B) paid for by companies in the form of tax breaks
C) paid for by consumers in the form of higher prices
D) are never paid by anyone
Answer:  C
Explanation:  C) There is no evidence that the cost of social goals gets paid for by the people who benefit from the services provided, so that is not a correct response. Tax breaks would be an extra cost, not a way to pay for social goals, so that would rule out the choice regarding tax breaks. The choice regarding never being paid by anyone is incorrect because all costs are presumed to be ultimately paid by someone. Paid for by consumers in the form of higher prices is the correct response, since companies may initially bear the costs of social goals, but as they see their costs rising they are likely to raise prices, effectively causing consumers to ultimately be the payers of the bill.

Diff: 3     Page Ref: 55
AACSB:  Ethical understanding and reasoning abilities
Objective:  3.2
Learning Outcome:  Discuss the role of ethics and social responsibility in management
97) Which of the following is NOT an argument against the idea that companies should be socially responsible?
A) costs
B) too much power
C) violation of profit maximization
D) public expectations
Answer: D
Explanation: D) Costs, too much power, and violation of profit maximization are all legitimate arguments against companies being socially responsible. Costs indicate that socially responsible actions do not cover their own costs and so end up costing a company money. Too much power indicates that companies will accumulate an overabundance of power as a result of pursuing social goals, thereby increasing their already too-large social influence. Violation of profit maximization indicates that pursuing social goals violates a company's obligation to seek the highest profits possible. Only public expectations is an argument for social responsibility—it claims that public opinion strongly supports social goals, so companies benefit from positive publicity when they pursue them.
Diff: 1 Page Ref: 55-56
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management

98) "Lack of accountability" argues against a firm being socially responsible by saying that once actions are taken there is no one ________.  
A) to take responsibility if things go wrong
B) to take credit if things work out well
C) to speak to the media to put a spin on actions taken
D) to follow up afterward
Answer: A
Explanation: A) Accountability is taking responsibility for actions. That means that taking responsibility if things go wrong is the correct response because companies that pursue social goals typically have no mechanism in place to deal with problems that arise due to actions on behalf of social goals. There would also be no specific person to take credit for successful actions, to follow up on actions, or to "spin" the actions. However, only the correct choice constitutes an argument against social responsibility.
Diff: 2 Page Ref: 55
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management
99) Which of the following best defines sustainability for a company?
A) running the company with a strategy that is both profitable and good for the environment
B) running the company with a strategy that is profitable whether or not it is good for the environment
C) running the company with a strategy that is good for the environment even if it is not profitable
D) running the company with a strategy that is does not change the environment in any way
Answer: A
Explanation: A) Sustainability is about doing business in a way that preserves the environment for future generations. Responsible businesses see no advantage in making a quick profit now that results in harming the environment for the future. In a sustainable business, operations are carried out that do not harm the environment.
Diff: 2 Page Ref: 55-56
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management

100) What does Walmart's business policy say about the company's belief in global climate change?
A) Walmart must believe that global climate change is a hoax.
B) Walmart must believe that global climate change is a real threat.
C) Walmart must believe that global climate change is a left-wing conspiracy.
D) Walmart must believe that global climate change is a right-wing conspiracy.
Answer: B
Explanation: B) In taking decisive action with respect to reducing greenhouse gases, Walmart is making a clear statement that it believes claims for global climate change are real and urgent. Walmart's moves are the equivalent of removing 3.8 million cars from American roads for an entire year.
Diff: 2 Page Ref: 55-56
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management

101) Which of the following is LEAST likely to be viewed by a company as an advantage of stressing sustainability?
A) The company is seen as efficient.
B) The company is seen as ethical.
C) The company avoids bad press.
D) The company avoids economic ramifications of being seen as socially irresponsible.
Answer: A
Explanation: A) Sustainability gives a company a positive image in the public's mind, making it seem ethical and avoiding the potentially disastrous fallout of taking a socially irresponsible position. Efficiency is one thing that is not generally associated with sustainability. In fact, many sustainability measures actually decrease company efficiency slightly, a price most responsible managers are willing to pay.
Diff: 2 Page Ref: 55-56
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management
102) Which of the following is a basic definition of ethics?
A) rules that define good and evil
B) laws that define legal and illegal
C) principles that define right and wrong
D) principles that define standards of decency
Answer: C

Explanation: C) Ethics is concerned with the evaluation of actions—whether they are right or wrong— rather than the conditions of good and evil that often underlie those actions. This indicates that "principles that define right and wrong" is the correct choice for this question and "rules that define good and evil" is incorrect. Questions of whether acts are legal or illegal are also related to ethics, but legal and illegal refer to formal written laws covering a wide array of issues while ethics generally refers to more basic moral principles that always focus on right and wrong. Standards of decency are also related to ethics, but they are more concerned with what is socially acceptable rather than what is right and wrong.

Diff: 2 Page Ref: 57
AACSB: Ethical understanding and reasoning abilities
Objective: 3.3
Learning Outcome: Discuss the role of ethics and social responsibility in management

103) A ________ is a formal document that states an organization's primary values and the ethical rules it expects its employees to follow.
A) mission statement
B) statement of purpose
C) code of ethics
D) vision statement
Answer: C

Explanation: C) How ethical questions are addressed within an organization can be different from how they are dealt with in the outside world. For example, fraternization between individuals inside an organization (e.g., teacher and student in a school) may be frowned upon even though the same relationship outside the organization might not raise any ethical eyebrows (e.g., both teacher and student are adults). That is why most organizations draft a written code of ethics to provide guidance for members. None of the other choices—a mission statement, a statement of purpose, or a vision statement—deals with ethical issues, so these choices are incorrect.

Diff: 2 Page Ref: 58
AACSB: Ethical understanding and reasoning abilities
Objective: 3.3
Learning Outcome: Discuss the role of ethics and social responsibility in management
104) About ________ of organizations of 10,000 or more employees have a written code of ethics.
A) one-third
B) half
C) 70 percent
D) 97 percent
Answer: D
Explanation: D) The fact that 97 percent of large organizations have written codes of ethics suggests that these codes are at least useful, if not highly effective. However, ethics codes are usually only as effective as the organizational culture in which they are instituted. Those organizations that take ethics seriously usually have fewer problems dealing with ethics, regardless of how prominent their code is in their everyday operations. In most cases, written codes of ethics are not referred to in everyday interactions but instead are used to provide guidance in resolving conflicts and other moral issues.
Diff: 1 Page Ref: 58
AACSB: Ethical understanding and reasoning abilities
Objective: 3.3
Learning Outcome: Discuss the role of ethics and social responsibility in management

105) In most cases, organizations that have managers who behave ethically tend to have ________.
A) more productive employees
B) more ethical employees
C) less ethical employees
D) employees who are no more or less ethical than average
Answer: B
Explanation: B) Being a good role model with respect to ethics does affect ethics of subordinates. Managers who behave unethically or who tolerate unethical behavior tend to promote similar attitudes among subordinates. That is why "more ethical employees" is correct—ethical managers tend to have ethical workers—and why "more productive employees" and "employees who are no more or less ethical than average" are not correct. There is no established or documented relationship between ethical behavior and productivity, so "more productive employees" is incorrect.
Diff: 2 Page Ref: 58-59
AACSB: Ethical understanding and reasoning abilities
Objective: 3.3
Learning Outcome: Discuss the role of ethics and social responsibility in management
106) A(n) ________ view of ethics states that more productive workers should get more pay and less productive workers less pay, regardless of other circumstances.
A) rights
B) utilitarian
C) theory of justice
D) individual liberties
Answer: B
Explanation: B) A rights view of ethics is concerned with protecting the rights of individuals to enjoy individual liberties such as free speech and due process, so both rights and individual liberties are not correct responses for this question. A theory of justice view of ethics is concerned with issues like a living wage—employees are entitled to be paid enough to live on no matter what the law says or other circumstances dictate. The theory of justice view stands in direct contradiction to the utilitarian view, the correct response here, that states that productivity is all that matters with regard to pay and that abstract ideas such as justice or fairness should not be considered for this issue.
Diff: 2 Page Ref: 57
AACSB: Ethical understanding and reasoning abilities
Objective: 3.3
Learning Outcome: Discuss the role of ethics and social responsibility in management

107) A manager who subscribes to the theory of justice view of ethics might pay low-level employees ________.
A) the minimum wage
B) more than the minimum wage
C) less than the minimum wage
D) according to how productive they were
Answer: B
Explanation: B) A manager who subscribes to the theory of justice view of ethics takes societal conditions into account when making decisions. If a worker is unable to live on the minimum wage, this manager is likely to pay more than that amount to ensure that she is treating her employees in a fair and just way. This rules out the minimum wage and less than the minimum wage. It also rules out "according to how productive they were," which corresponds to a utilitarian view of ethics, rewarding workers only in proportion to how valuable they are to the organization.
Diff: 2 Page Ref: 57
AACSB: Ethical understanding and reasoning abilities
Objective: 3.3
Learning Outcome: Discuss the role of ethics and social responsibility in management
108) How might a manager with a rights view of ethics view the prospect of forbidding an employee from making what he feels are "misguided" political statements on her non-company website?
A) The manager would ask the employee to take down the website on the grounds that it violates company policy.
B) The manager would order the employee to take down the website on the grounds that its positions are foolish and wrong.
C) The manager would order the employee to take down the website on the grounds that it misrepresents the company.
D) The manager would not interfere with the website.

Answer: D

Explanation: D) A rights view of ethics holds that all people have clear rights that include such things as right to privacy and free speech. Under free speech, the manager would have to concede that the employee has a right to express herself even if he personally feels that the positions she takes are foolish and wrongheaded. Since the employee has the right of free speech, he would not interfere with the website as long as it didn't associate the company with her views.

Diff: 2   Page Ref: 57
AACSB: Ethical understanding and reasoning abilities
Objective: 3.3
Learning Outcome: Discuss the role of ethics and social responsibility in management

109) Which of the following is most likely at the root of the problems that befell an unethical company like Enron?
A) poor ethics training programs
B) no written code of ethics
C) leaders with such high ethical standards that ordinary people could not hope to live up to them
D) leaders with poor ethical standards

Answer: D

Explanation: D) Though ethics programs can have some effect on the morality of a company, ultimately the ethics of a company boils down to two things—the character of the employees and the character of the company leaders. There is little that leaders can do about the ethics of their employees—other than choose "better" employees. However, there is much that leaders can do to set standards for employees. If leaders make it a point to exhibit ethical behavior in every way, the message usually gets through to employees and affects their behavior. Similarly, an atmosphere of cynicism and ruthlessness also permeates to all levels of an organization. With Enron, this "rotten" attitude was most likely the cause of the company's ethical failures.

Diff: 2   Page Ref: 57
AACSB: Ethical understanding and reasoning abilities
Objective: 3.3
Learning Outcome: Discuss the role of ethics and social responsibility in management
110) Which of the following best identifies how well ethics can be learned?
A) Ethical training can increase awareness of ethical issues.
B) Ethics are inborn and cannot be changed or learned.
C) Ethical problem-solving practice helps almost all people avoid ethical dilemmas.
D) Ethical problem-solving practice is worthless.
Answer: A
Explanation: A) A person's ethics can change, but it is difficult to identify how much training programs and ethical problem-solving practice can accomplish. Clearly, training is not a waste of time, but it may not be extremely helpful in many cases either. The best experts can say is that efforts to improve one's ethics at the very least help people become more mindful and cognizant of ethical situations, problems, and issues.
Diff: 2     Page Ref: 57
AACSB: Ethical understanding and reasoning abilities
Objective: 3.3
Learning Outcome: Discuss the role of ethics and social responsibility in management

111) Which of the following is commonly considered a category of workforce diversity?
A) education level
B) computer skills
C) style of dress
D) age
Answer: D
Explanation: D) Workforce diversity includes only permanent or innate features such as age, race, ethnicity, gender, physical abilities/disabilities, and sexual orientation. Any characteristic that arises out of achievement, such as education level or computer skills, is not generally considered to be a standard diversity category. Any wholly voluntary characteristic, such as the way a person dresses, should also not be considered a diversity category. The above indicates that only age represents a diversity category so it is the correct response.
Diff: 2     Page Ref: 61
AACSB: Multicultural and diversity understanding
Objective: 3.4
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

112) Which of the following would be most likely to be true of two random people of the same race?
A) They are likely to have very different skin color and hair type.
B) They are unlikely to speak the same language.
C) They are likely to have similar skin color and hair type.
D) They are likely to share the same cultural traditions.
Answer: C
Explanation: C) Race is largely a biological inheritance that can actually be traced through blood. Two people from the same race may not speak the same language or share the same cultural traditions, but they are likely to have the same skin color and hair type.
Diff: 2     Page Ref: 61
AACSB: Multicultural and diversity understanding
Objective: 3.4
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations
113) Which of the following would be LEAST likely to be true of two random people of the same ethnicity?
A) They speak the same language.
B) They celebrate the same holidays.
C) They belong to the same socioeconomic class.
D) They like the same kinds of foods.
Answer: C
Explanation: C) Ethnicity defines cultural heritage, meaning that two people of the same race are likely to share customs, traditions, language, foods, jokes, and so on. Much less likely would be that the two people would have the same educational level or belong to the same socioeconomic class, traits that vary widely within an ethnic group.
Diff: 2 Page Ref: 61
AACSB: Multicultural and diversity understanding
Objective: 3.4
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

114) Who was most likely to have a job that was free of discrimination?
A) a white person in a wheelchair in 1997
B) an African American person in 1962
C) an Asian American person in a wheelchair in 1989
D) a 75-year-old white person in 1963
Answer: A
Explanation: A) Age discrimination laws weren't enacted until 1964 and 1967, making it too early for the 75-year-old in 1963 to avoid discrimination. Racial anti-discrimination laws were enacted in the 1960s (The Civil Rights Act of 1964), making it too early for the African American or Asian American to avoid discrimination. A white person in a wheelchair in 1997 could avoid discrimination because it was well past 1990, the year that discrimination against disabled people was enacted.
Diff: 2 Page Ref: 61
AACSB: Multicultural and diversity understanding
Objective: 3.4
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

115) Which kind of discrimination is allowed under federal law?
A) discrimination against gays and lesbians
B) discrimination against Muslims
C) discrimination against people from the Middle East
D) discrimination against women or men
Answer: A
Explanation: A) Title VII of the Civil Rights Act of 1964 prohibits discrimination on the basis of sex, national origin, race or ethnicity. The federal law does not prohibit discrimination against people because of their sexual orientation. Many state laws do prohibit discrimination against sexual orientation.
Diff: 2 Page Ref: 62
AACSB: Multicultural and diversity understanding
Objective: 3.4
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations
116) Which problems are women LEAST likely to face in today's workplace?
A) a gender pay gap
B) being outnumbered in the workplace
C) career interruptions due to childbirth
D) skepticism about whether they are qualified to do the job
Answer:  B
Explanation:  B) Women still face a pay gap, bosses who feel that they aren't "tough" enough to do their job, and failure to get promoted because they are likely to take time off for children. The problem that women don't face is feeling outnumbered in the workplace. Currently, women make up almost half of the workers in the workplace.
Diff: 2   Page Ref: 61
AACSB:  Multicultural and diversity understanding
Objective:  3.4
Learning Outcome:  Discuss different ways managers work with and promote diversity in organizations

117) Workforce diversity will be significantly affected in the next decade by ________.
A) increases in the teen worker population
B) the aging of the U.S. population
C) increases in the U.S. divorce rate
D) increases in U.S. birthrates
Answer:  B
Explanation:  B) The Baby Boom generation is a larger cohort in the population than any other generation, so its aging will have the greatest impact on the workforce as Baby Boomers retire or move on to different kinds of jobs. Baby Boomer aging as a factor of workforce change is much more important than changes in birthrate, divorce rate, or teen workers.
Diff: 1   Page Ref: 61
AACSB:  Multicultural and diversity understanding
Objective:  3.4
Learning Outcome:  Discuss different ways managers work with and promote diversity in organizations
118) In global companies, a major cause of the line between work and nonwork getting blurred is 
________.
A) employees needing to commute long distances
B) needing to communicate with overseas operations in different time zones
C) needing to communicate on a face-to-face basis with employees
D) employees needing to work on holidays
Answer:  B
Explanation:  B) In a global company a factory can be in a time zone that is 12 hours different than one's
home time zone. This means that a manager may need to address a problem at 11 PM in her time zone
that is occurring at 11 AM in the factory. Needing to communicate with overseas operations in different
time zones, therefore, is the correct answer. Needing to communicate on a face-to-face basis with
employees is incorrect because face-to-face communication would tend to avoid off-hour interaction and
serve to clarify rather than blur the line between work and nonwork. The other two choices are true in
some cases, but do not contribute to the blurring of the line between work and nonwork.
Diff: 1     Page Ref: 63
AACSB:  Dynamics of the global economy
Objective:  3.4

119) Which of the following is NOT a typical attempt by management to provide flexibility in the
workplace?
A) benefits for part-time employees
B) on-site day care
C) telecommuting
D) job sharing
Answer:  A
Explanation:  A) On-site day care, telecommuting, and job sharing all allow workers to control when and
where they work so they represent attempts to provide flexibility. Day care provides a place for children
to free up time for work. Job sharing allows couples to balance personal/family issues with work issues.
Telecommuting allows workers to be productive at home when family issues would otherwise prevent
them from working. Part-time employees are almost never provided with benefits in today's workplace,
so that is the correct response.
Diff: 2     Page Ref: 63
Objective:  3.4
120) Part-time, temporary, and contract workers who are available for hire on an as-needed basis are known as _______.
A) consultants  
B) core employees  
C) summer employees  
D) a contingent workforce  
Answer: D  
Explanation: D) The contingent workforce is the segment of the workforce that is not permanent. Contingent workers may work full time, but they are hired only on a provisional basis and will likely leave when their task is complete. A consultant is a high-level contingent worker, but the contingent workforce contains other workers besides consultants, so consultants is not the correct response. Similarly, summer employees is incorrect because the contingent workforce is not comprised only of summer workers. Core employees are permanent workers so core employees is incorrect.  
Diff: 2    Page Ref: 63-64  
AACSB: Multicultural and diversity understanding  
Objective: 3.4  
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations  

121) Managers hire contingent workers because they are ________ than permanent workers.
A) more loyal  
B) more productive  
C) more flexible  
D) less costly  
Answer: D  
Explanation: D) Hiring contingent workers saves money for managers in several ways. Contingent workers usually don't get benefits, aren't paid at as high a rate as full-time workers, and can be dismissed easily when the project they are working on is complete. This makes "less costly" the correct response. There is no evidence that contingent workers are more loyal, productive, or flexible than full-time workers (in fact they could be less of each category) so these responses are incorrect.  
Diff: 2    Page Ref: 63-64  
Objective: 3.4
Business Expansion Plan (Scenario)

As a business expansion director, Shana's goal is to scout potential locations for her company's planned expansion to other countries. There are many options, some of which include maintaining the business's head office in the United States. Other options send company representatives to foreign operations when necessary, or establishing separate operation facilities abroad and hiring locals as managers.

122) If Shana's company decides to open operations in France but maintain company management in the United States, it would be considered a ________.
A) transnational corporation  
B) global corporation  
C) multidomestic corporation  
D) joint venture
Answer: B
Explanation: B) Maintaining management in the home office in the United States gives Shana's company the profile of a global corporation. A global corporation is a multinational corporation that maintains its management in its home country. A multidomestic corporation, on the other hand, has a central home-country management but allows local management to run the company in its foreign locations. This differs from a borderless or transnational corporation that has no "home country" and is instead organized by industry and function. A joint venture is not a branching out of a home corporation but rather a joining of the home corporation with a foreign corporation.
Diff: 2 Page Ref: 49
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

123) If Shana's company decides to open a new operation in Germany that has local managers and is run locally but still exists under the umbrella of the home company, it would be considered a ________.
A) national corporation  
B) borderless organization  
C) trade alliance  
D) multidomestic corporation
Answer: D
Explanation: D) Allowing locals to make marketing and management decisions describes a multidomestic corporation. A national corporation would have no international component. A trade alliance would partner Shana's company with a foreign company. In a borderless organization there would be no home company.
Diff: 2 Page Ref: 49
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management
124) If Shana's company reorganizes based on industry groups with no designated home country, the entire organization would be considered a ________.
A) transnational organization
B) strategic alliance
C) multidomestic corporation
D) global corporation
Answer: A
Explanation: A transnational organization is an integrated organization that has operations in different international locations but no single home country or primary headquarters. All of the other choices feature a home country so they are incorrect. A foreign subsidiary is a fairly independent operation set up by the home company. A strategic alliance is a joining of the home company with a foreign company. A global corporation is a multinational that features centralized management located in a home country.
Diff: 2 Page Ref: 49
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

125) Shana is considering forming a partnership with a Dutch corporation that will create an entirely new company called Half Moon. What kind of enterprise will Half Moon be?
A) a multidomestic corporation
B) a foreign subsidiary
C) a joint venture
D) a domestic subsidiary
Answer: C
Explanation: C) A partnership that creates an entirely new company is a special type of strategic alliance called a joint venture. In a foreign or domestic subsidiary and a multidomestic corporation, the original corporation maintains control of the branches, which is not the case with this joint venture.
Diff: 2 Page Ref: 51
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management
126) Shana's company "went global" several years ago. Which of the following was likely to have been the first step it took in going global?
A) outsourcing  
B) importing  
C) exporting  
D) licensing  
Answer: A  
Explanation: A) The first step that a company takes when it goes global is almost always outsourcing, or global sourcing. This involves obtaining raw materials and labor from outside the home country. Outsourcing is followed by steps such as importing, exporting, and licensing.
Diff: 2 Page Ref: 50  
AACSB: Dynamics of the global economy  
Objective: 3.1  
Learning Outcome: Identify the fundamental concepts and issues of international business and management

127) Shana's company hopes to become a fully global corporation in the coming years. Which of the following would best indicate that the company is fully "global"?
A) exporting and importing  
B) licensing  
C) setting up a foreign subsidiary  
D) franchising  
Answer: C  
Explanation: C) Licensing, franchising, exporting, and importing are all mid-level actions for a corporation that intends on becoming fully global to take. The step that typically signifies that a company has become fully global is for it to set up foreign subsidiaries. A foreign subsidiary, such as a factory in China, involves the greatest amount of commitment and risk on the part of the parent company.
Diff: 2 Page Ref: 50  
AACSB: Dynamics of the global economy  
Objective: 3.1  
Learning Outcome: Identify the fundamental concepts and issues of international business and management
Software Entrepreneurial Venture (Scenario)

Theodore and James have formed TJ Soft, an entrepreneurial venture to develop games and other kinds of software for consumers. Their company, which includes TJ Soft stores, is looking for opportunities in the future that include international operations.

128) A foreign company wants to be able to copy and manufacture TJ Soft programs and sell them in its stores. What would be an appropriate approach for them to use?
A) licensing
B) franchising
C) renting
D) appropriating

Answer: A

Explanation: A) Licensing would be the best approach for the foreign company to use. TJ Soft would sell the foreign company the right to be an official vendor of its products. Then the company would be free to feature TJ Soft products in its stores. Franchising would entail creating an entire operation rather than simply selling products in the company's stores. Neither renting the software nor appropriating it in some way is a defined management term identified in the textbook for a situation like this, and so both are incorrect responses.

Diff: 2     Page Ref: 50
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

129) A firm in South America wants to open a TJ Store in a shopping mall. What is the best approach for this firm?
A) strategic alliance
B) licensing agreement
C) franchise
D) foreign subsidiary

Answer: C

Explanation: C) Since the firm wants more than just the right to sell TJ Soft products—it wants to run an entire TJ Soft store—it should buy a franchise. The franchise will give it the right to operate a store under the TJ Soft name selling TJ Soft products. The relationship should not be a strategic alliance since TJ Soft wants to maintain control of its brand. A licensing agreement is not extensive enough since the company wants to do more than sell TJ Soft products. A foreign subsidiary is also not appropriate because it requires TJ Soft to own the foreign operation and this is not possible since the firm already exists.

Diff: 2     Page Ref: 50
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management
130) A game company in Thailand wants TJ Soft to join it and work together to create a new game that bears the brand name of both companies. What would be an appropriate approach for this venture?
A) global strategic alliance  
B) licensing agreement  
C) joint venture  
D) franchise  
Answer: A  
Explanation: A) Since the game company wants the game to have the name of both companies, the two should form a global strategic alliance but not a joint venture. A joint venture would require the two partners to create a new company to create the game—something that neither partner wants to do. This project is too symmetrical to call for a licensing agreement or franchise. Both of those options have the parent company selling the rights to use its brand, where in this case each company uses its own brand equally.  
Diff: 2  Page Ref: 50-51  
AACSB: Dynamics of the global economy  
Objective: 3.1  
Learning Outcome: Identify the fundamental concepts and issues of international business and management

**A Different View (Scenario)**

Jana has spent the last year traveling to different operations for her company. She visited factories in Mexico and Thailand, a finance operation in Singapore, a pearl company in Japan, and many other venues. She now has collected her thoughts about the various places she visited.

131) In Mexico and Japan Jana noticed that it seemed easy to convince people to work together for the good of the group. How would you characterize this trait?
A) collectivist  
B) individualist  
C) humane  
D) assertive  
Answer: A  
Explanation: A) A collectivist impulse describes a culture that has a strong group identity. People in a collectivist culture often see their social role in the group as more important than their individual distinctions and achievements. Cultures that value singular traits are called individualistic. Being humane—kindly, empathetic, compassionate—has nothing to do with group identity, and both collectivist and individualist cultures can be characterized as humane, eliminating humane as a correct response for this question. Similarly, being assertive—confrontational and aggressive—can be ruled out for this question because assertiveness has no connection to how much a culture values its group identity.  
Diff: 2  Page Ref: 52  
AACSB: Multicultural and diversity understanding  
Objective: 3.1  
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations
132) In Greece Jana visited a pharmaceutical operation. She found that managers there were charming but not at all shy. If they thought they were right they tended to be aggressive and confrontational. How would you characterize this trait?
A) high uncertainty avoidance  
B) assertive  
C) future oriented  
D) low uncertainty avoidance

Answer: B

Explanation: B) Being aggressive and confrontational describes the trait of being assertive. High uncertainty avoidance cultures put a lot of confidence in rules while low uncertainty avoidance cultures tend to prefer flexibility over rules. Neither avoidance trait matches the aggressive and confrontational description here so both can be eliminated as correct responses. Similarly, being future oriented, or focused on planning for future contingencies, is not an aggressive or confrontational trait so it can be ruled out as a correct response.

Diff: 2   Page Ref: 52-53
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

133) In Venezuela Jana found that people tended to show great deference toward their superiors. When meeting with one higher-up, she noticed that the local managers seemed to exhibit extremely obsequious behavior. How would you characterize this trait?
A) future oriented  
B) high uncertainty avoidance  
C) low power distance  
D) high power distance

Answer: D

Explanation: D) Cultures that tolerate large differences in personal or political power are said to have a high power distance. This contrasts with countries like Denmark, which don't tend to tolerate ostentatious shows of power and are said to have a low power distance. In a culture of low power distance, individuals of different status typically can speak as equals. In a culture of high power distance, interaction between individuals of different status is often accompanied by overt displays that highlight this status difference. Neither future orientation nor high uncertainty avoidance is related to displays of power, so they are both incorrect responses for this question.

Diff: 3   Page Ref: 52-53
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations
134) In Denmark Jana met people who marveled about the ability of Americans to be so "bold" and flexible when it came to making decisions about the future, while the Danish tended to rely on rules when facing uncertainty. How would you characterize this trait that Americans appear to have?
A) low uncertainty avoidance
B) high uncertainty avoidance
C) high power distance
D) individualistic
Answer: A
Explanation: A) Cultures that rely on rules when facing uncertainty are said to have high uncertainty avoidance. Since Americans were being described as "bold" and not relying on rules, they fit a low uncertainty avoidance profile. Power distance and how individualistic a culture is have little or nothing to do with how much a society depends on rules when facing uncertainty, so both of these choices are incorrect.
Diff: 3 Page Ref: 52-53
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations
Opposing Views of Social Responsibility (Scenario)

The board of directors of the Four Forks Generating Corporation is meeting to consider the construction of a new electrical generation facility near the Four Forks River. Director Appleton prefers a coal-burning plant because it promises to be the most profitable alternative. Over the short term at least, a coal plant will be by far the least expensive facility to build and operate. Coal is cheap and the considerable pollution from the plant won't affect anything within hundreds of miles from the plant.

Director Estrella wants a nuclear plant to be located 30 miles upriver from the biggest city in the area. Nuclear power is cleaner than coal. Completely safeguarding the community against accidents in the plant or the disposal of toxic waste could be very expensive. However, Estrella has discovered that the job can be done much more cheaply by cutting some corners—while still strictly following all laws—and creating some additional risk for the community.

Director Jossleman supports the most expensive option of the three—she wants a wind farm to be built along the banks of the river on top of a ridge. The wind turbines produce absolutely no pollution and pose no threat to the community or the environment. They are expensive to build and to operate at the current time because they require elaborate back-up systems to function when the wind isn't blowing.

135) Director Appleton exhibits which of the following social responsibility views?

A) social responsiveness
B) broad view of social responsibility
C) classical view of social responsibility
D) socioeconomic view of social responsibility

Answer: C

Explanation: C) Appleton has a strict classical view of social responsibility. He is looking at costs and profits only and is not concerned with long-term effects or problems. Appleton's view is not in accord with the socioeconomic view of social responsibility—calling for businesses to go beyond profits and consider society's welfare. Appleton is not being socially responsive because the public is not calling for a high-pollution plant to be built. Finally, a "broad" view of social responsibility is a vague term that cannot describe the director's views, so it is not a correct response.

Diff: 2    Page Ref: 54
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management
136) Director Estrella exhibits which of the following social responsibility views?
A) social awareness
B) socioeconomic view of social responsibility
C) classical view of social responsibility
D) social obligation
Answer: D
Explanation: D) Estrella is clearly demonstrating a sense of social obligation. He wants to follow the letter of the law, but doesn't seem to have great concern for social welfare since he is willing to cut corners on safety for the plant. Estrella is in a sense splitting the difference between the socioeconomic and classical views of social responsibility. Since a nuclear plant produces less pollution, he is advocating for social welfare somewhat, matching the socioeconomic view, but his corner-cutting also subscribes to the classical view, putting costs above all else. In the end, neither of these choices matches Estrella's actions nearly as well as social obligation. Finally, social awareness is not a defined management term in this text and so does not constitute a correct response.
Diff: 2    Page Ref: 54
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management

137) Director Jossleman is exhibiting which of the following social responsibility views?
A) socioeconomic view of social responsibility
B) classical view of social responsibility
C) social obligation
D) no social obligation
Answer: A
Explanation: A) Jossleman is exhibiting a socioeconomic view rather than a classical view of social responsibility. She is showing a concern for social welfare beyond profits by choosing the alternative that is less profitable but better for the society. Jossleman is clearly adhering to all laws, so neither social obligation nor no social obligation describes her position.
Diff: 2    Page Ref: 54
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management
138) Suppose Director Jossleman proposes building a wildlife preserve near the wind farm for the local community. What is Josselman demonstrating in her proposal?
A) social responsiveness
B) socioeconomic view of social responsibility
C) classical view of social responsibility
D) social awareness
Answer: A
Explanation: A) The idea of social responsiveness goes beyond classical and socioeconomic views of social responsibility. Instead, it focuses on some specific societal need and attempts to provide it. Josselman's proposal fits this profile so it qualifies as social responsiveness. Josselman is exhibiting a degree of social awareness, but this is not a defined term in this text and so is not a correct response for this question.
Diff: 2    Page Ref: 54
AACSB: Ethical understanding and reasoning abilities
Objective: 3.2
Learning Outcome: Discuss the role of ethics and social responsibility in management

University (Scenario)

Gina is a dean at Polydor College, a school with almost 6,000 students. In her daily activities, she has to deal with problems that involve students, faculty, curriculum, budgets, and a variety of other things.

Among the problems Gina needs to deal with are complaints from students that the Physics Department has only one faculty member who is a woman and one who is a member of a minority group. Gina has been meeting with the department chair to address this problem.

Gina recognizes that students and parents pay a lot of money to attend the university, so when large and small problems arise Gina wants them dealt with effectively. She has installed a 24-hour "Hassle Line" with highly trained people to answer questions and solve problems. She hopes to have her Hassle Line employees function within a customer responsive culture.

139) Gina sees her school's greatest opportunity to increase enrollment in prospective students who were born in the 1980s and early 1990s. What term describes these prospective students?
A) Baby Boomers
B) Gen Yers
C) Gen Xers
D) Gen Zers
Answer: B
Explanation: B) The Baby Boomers are defined as those people who were born in the decades that immediately followed World War II. The group that followed the Baby Boomers has been termed Generation X. Those that followed Gen X, including current people of college age, are identified as Gen Yers, the correct response. So far, no group has been identified as Gen Z, so that response is incorrect.
Diff: 2    Page Ref: 64
Objective: 3.4
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations
140) In the Physics Department, which choice best characterizes the problem Gina needs to work on?
A) workforce diversity
B) entrepreneurship
C) customer service
D) work process engineering
Answer: A
Explanation: A) Assuring that members of an organization come from a wide variety of different backgrounds with respect to ethnicity, gender, race, sexual orientation, and physical ability/disability is a question of maintaining workforce diversity. Entrepreneurship and customer service only peripherally deal with diversity, so they are not correct responses here. Work process engineering, which is a theory of management, is also not directly related to diversity and is an incorrect response.
Diff: 2 Page Ref: 60-62
AACSB: Multicultural and diversity understanding
Objective: 3.4
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

141) Gina's Hassle Line fields a call in which a work-study student is complaining that he is being discriminated against because he is a transgender person. What should Gina do?
A) contact the federal justice department
B) report the incident to the federal Civil Rights commission
C) file a federal job discrimination suit
D) contact state and/or local authorities
Answer: D
Explanation: D) There are no federal laws or statutes that prohibit discrimination against a person based on sexual orientation. A transgender person is classified in the "sexual orientation" category, so there is no federal help for Gina. Many states and local jurisdictions have statutes prohibiting discrimination against GLBTs, so Gina should look there for help.
Diff: 2 Page Ref: 62
AACSB: Multicultural and diversity understanding
Objective: 3.4
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations
142) In a short essay, explain the differences between a multidomestic corporation, a global corporation, and a transnational corporation. 
Answer: All three entities are types of multinational corporations (MNCs). Both multidomestic and global corporations feature a home country that has the ultimate decision-making authority for the organization. In a multidomestic corporation, control is decentralized. The home country allows local management to more or less completely run the show for each operation, customizing products and services to fit the market as they see it. In a global corporation, control is more centralized as the home country management is more likely to set policy and intervene in local strategies and decisions. 

The transnational or borderless organization represents a step further in decentralization from the multidomestic. In a transnational, central control is abolished and all operations coordinate together, sharing in the decision-making process. Corporations choose the transnational approach to give their organizations a truly international stance, allowing them to pose as disinterested parties when it comes making decisions that might favor one country over another.

Diff: 3     Page Ref: 49
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management

143) In a short essay, define parochialism and explain why it can be a problem for U.S. managers. 
Answer: Parochialism is the process of viewing the world solely through one's own eyes and perspectives. Managers with a parochial attitude do not recognize that individuals from other cultures can have different—and in most cases equally valid—sets of values, traditions, customs, and ways of living and working. Parochialism is a significant obstacle for managers who work in a global business world. If these managers fall into the trap of dismissing others' values and customs and rigidly applying an attitude of "ours is better than theirs" to foreign cultures, they'll find it difficult to compete with other nonparochial organizations that are actively seeking to understand foreign cultures and using that understanding to their advantage.

Diff: 2     Page Ref: 51
AACSB: Multicultural and diversity understanding
Objective: 3.1
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations
144) In a short essay, list and explain the first three of Hofstede's dimensions of national culture. 
Answer:
a. Individualism versus collectivism: Collectivism is the degree to which people identify with the 
group. Collectivism lies in opposition to individualism, the degree to which people prefer to act on their 
own as individual agents. A culture that is rated as having high collectivist tendencies will have low 
individualistic tendencies; similarly, a culture that is highly individualistic is low on the collectivist 

b. Power distance: Power distance is the degree to which people are accepting of gross differences in 
power in their society. A culture with a high power distance, for example, is likely to feature the "big 
boss" in its midst—an individual who has an excessive amount of social, economic, and perhaps military 
power and influence. In a culture of low power distance, individuals of power are reined in, relatively 
speaking. In cultures of low power distance, individuals of differing status can speak as equals. In a 
culture of high power distance, interaction between individuals of different status are likely to be 
accompanied by overt displays of respect and other symbols of the power imbalance. 

c. Quantity of life versus quality of life: Quantity of life focuses largely on material items and describes 
a typical affluent western consumer culture. Quality of life reflects the degree to which people value 
such things as family, loyalty, personal relationships, and other things that "money can't buy." 

145) In a short essay, list and explain the last two of Hofstede's dimensions of national culture. 
Answer:
a. Uncertainty avoidance: Uncertainty avoidance is a measure of how much a culture depends on social 
institutions, rules, and norms to cope with uncertainty. A culture with high uncertainty avoidance would 
tend to depend on rules and social institutions to deal with uncertainty. A culture with low uncertainty 
avoidance would want more flexible and less formal ways of dealing with uncertainty. High uncertainty 
avoidance cultures will tend to make very conservative decisions when facing uncertainty. Low 
uncertainty avoidance cultures tend to be more creative in facing uncertainty. 

b. Long-term versus short-term orientation: People in long-term orientation cultures look to the future, 
value thrift and persistence, and frequently delay gratification. They are like the ant that saves for the 
future in the well-known Aesop's fable. A short-term orientation values the past and present and 
emphasizes respect for tradition and fulfilling social obligations. A short-term orientation is typically not 
successful in delaying gratification. Short-term orientation cultures resemble the grasshopper in the 
Aesop's fable that indulges now rather than wait for the future.

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146) In a short essay, discuss the value of Hofstede's values study to managers.
Answer: In one view, Hofstede's study is nothing more than a collection of national stereotypes that confirms the basest caricatures of different ethnicities: the "hot-tempered" Greeks, the Japanese who just want to "fit in" with the group, the "exact" Germans. In using Hofstede's data, managers should be aware of these limitations and should not try to make generalizations about any individual based on a cultural archetype or stereotype.

Managers should also be aware that Hofstede's characterizations are not set in stone, and that, for example, a German might turn out to be hot-tempered and a Greek to be exacting. That said, there is predictive value in Hofstede's characterizations. They are, in a sense, a small window into each culture that can be used as a guide to the culture's hopes, dreams, and self-image as well as its habits and priorities. Used wisely, Hofstede's data can help managers understand the national psychology of a country as it relates to buying, selling, and markets.

Diff: 3     Page Ref: 52-53
AACSB: Reflective thinking skills
Objective: 3.1
Learning Outcome: Discuss different ways managers work with and promote diversity in organizations

147) In a short essay, describe the steps a company takes in going global.
Answer:
The first step in going global is some sort of outsourcing in which a company buys materials or labor or both from a foreign source. For example, a shoe company might outsource its manufacturing to a country in which labor is not as expensive as in its home country.

After outsourcing, exporting and importing is likely to follow. For example, the shoe company may now begin to sell its shoes in foreign markets. It may also begin to import lines of specialty shoes to sell in its domestic stores. A larger commitment than exporting and importing involves licensing—selling the rights to make a product overseas—or franchising—selling the right to run a whole operation overseas.

The third step in going global involves setting up strategic alliances—partnerships with foreign companies—and joint ventures—special partnerships in which a new company is formed to create a specific product. A shoe company might do this by setting up a partnership with a foreign leather company to produce handbags.

The final step in going global is to set up a foreign subsidiary—a branch of the company's operation that will set up shop in the foreign location. In this case, the shoe company might build an entire shoe factory in a foreign location and hire local managers to run it.

Diff: 2     Page Ref: 50-51
AACSB: Dynamics of the global economy
Objective: 3.1
Learning Outcome: Identify the fundamental concepts and issues of international business and management
148) In a short essay, discuss how telecommuting capabilities have changed the manager's job.

Answer: Historically, the work site was located close to the labor source, so employees were near their jobs. Management could observe what work was being done and could easily communicate with employees face-to-face. Today, through technological advancements, managers are able to supervise employees in remote locations, and the need for face-to-face interaction has decreased dramatically. Managers must now meet the challenge of effectively communicating with individuals in remote locations and ensuring that performance objectives are being met.

To address this challenge, organizations focus on training managers to establish performance standards and ensure appropriate work quality and on-time completion—no matter where and when the work is being done. Traditional "face time" is frequently eliminated in decentralized work sites, and managers' need to "control" the work has evolved to the point in which employees are more involved, making decisions independently and being held accountable for their decisions.

For instance, managers must learn to forego traditional monitoring protocols and recognize that workers will work at their own pace. Instead of limiting work efforts to an eight-hour period, an individual may work two hours here, three hours at another time, and another three late at night. The manager's emphasis should then be placed on output, not means. As long as the task is completed satisfactorily and on time, the manager shouldn't need to worry about how, when, or where the work was actually done.

Diff: 2     Page Ref: 44
AACSB: Use of information technology
Objective: 3.4
Learning Outcome: Describe the roles of managers and the skills they need to succeed within an organization
149) In a short essay, discuss arguments for and against social responsibility.
Answer: The classical view of social responsibility has quite a bit of moral weight to it. If you define the purpose of a profit-making company or enterprise to be to make money for its stockholders, then any activity that is not devoted solely to making money is a diversion from the goal and therefore it cheats the stockholders from their rightful profits. That means that any funds, resources, or efforts of any type to advance the welfare of society (the socioeconomic view of social responsibility) is therefore immoral—at least by the definition provided so far.

That said, it seems artificial to assert that a company has only a single purpose—to make a profit. It is similar to saying that a worker has only one purpose—for example, to feed his or her family, and any efforts made not in pursuit of that goal cheat the family out of its rightful property and is therefore immoral. However, workers clearly do not have only one purpose—they have multiple purposes: to feed their family, to protect their family, to teach their family, and so on.

Going back to a company, if it is incorrect to assert that a person can have only a single purpose then it is perhaps also incorrect to assert that a company can have only a single purpose. Like a worker, a company can have multiple purposes. One of them might be to make a profit. Others might include such things as protecting and improving society's welfare—in other words, the socioeconomic view of social responsibility. If you define a company as an entity that has many purposes, some economic, some moral, then the conflict between the two views largely melts away, and the socioeconomic view becomes the only true view of the situation.

Diff: 3 Page Ref: 39
AACSB: Ethical understanding and reasoning abilities
Objective: 3.3
Learning Outcome: Discuss the role of ethics and social responsibility in management