**Chapter 6, Managing Ethics and Legal Compliance**

True/False

1. According to the US Federal Sentencing Guidelines, responsibility to oversee legal compliance standards can be divided among legal counsel, internal auditors, or human resource professionals.

Ans. True

Response: See page 213

2. The title “ethics officer” did not exist until the early 1990s.

Ans: False

Response: The title “ethics officer” did not exist until the mid-1980s. See pages 211-212.

3. Depending on the organization’s culture, the word “ethics” may carry a negative connotation and need to be replaced with “business conduct.”

Ans: True

Response: See page 216.

4. Ethics only needs to be communicated in orientation materials for new employees.

Ans: False

Response: See pages 220-221; 231.

5. An “ethics action line” is unnecessary because it promotes “tattling” on people an employee doesn’t like.

Ans: False

Response: See pages 236-237.

6. An increase in the number of calls on the “ethics action line” is a sign that there are more reportable problems in the company now.

Ans: False

Response: See page 237.

1. Pursuant to the U. S. Sentencing Guidelines, an organization can be convicted even if only one employee is caught breaking the law.

Ans.: True

Response: See page 208

1. According to United States v. Booker, judges are no longer required to follow strictly the U. S. Sentencing Guidelines.

Ans.: True

Response: See page 210

1. According to ethics and compliance officers, a respected and trusted insider who knows the company’s culture and people is a preferable choice for a firm’s ethics or compliance officer.

Ans.: True

Response: See page 212

1. Centralized ethics offices are nearly always the best choice as these provide for greater consistency and commitment to the organization’s key values.

Ans.: False

Response: See page 214. Students will be tempted to say True. However, the culture of the company and many other variables set out in pages 214-215 help students understand why this is not the case.

Difficulty: Difficult

1. Seldom should ethics information be included in a company’s external website.

Ans. False

Response: See page 220

1. Measured over a three-year period, companies with high trust levels have three times the rate of shareholder returns as compared to companies with low trust levels.

Ans.: True

Response: See page 228

Difficulty: Difficult

1. An organization can be convicted of a crime even if only one employee breaks the law.

Ans: True

Response: See page 208.

1. In extreme cases, the US Sentencing Commission allows “death penalty” wherein the organization ceases to exist.

Ans: True

Response: See pages 208.

Multiple Choice

1. Which of the following is false?

a) The ethics officer is typically a middle-level manager.

b) The ethics officer typically reports directly to the CEO.

c) The ethics officer can be hired from inside or outside of the firm.

d) The ethics officer can also be called the “director of ethics” or “director of internal audit.”

Ans: a

Response: See page 212.

1. Research has shown that between \_\_\_\_\_\_\_\_\_\_\_ of the information that passes through the grapevine is accurate.

a) 10 to 30%

b) 30 to 50%

c) 50 to 70%

d) 70 to 90%

Ans: d

Response: See page 216.

1. \_\_\_\_\_\_\_\_\_\_\_ understand and follow the rules and policies of the organization. They also have the judgment to discern the difference between right and wrong.

a) Grenades

b) Loose cannons

c) Good cannons

d) Good soldiers

Ans: d

Response: See pages 217-218.

1. \_\_\_\_\_\_\_\_\_\_\_ may have good ethical compasses, but they don’t know their corporation’s policies. Without guidance, ethics may not even be a consideration.

a) Loose ammo

b) Loose cannons

c) Misguided cannons

d) Grenades

Ans: b

Response: See page 218.

1. \_\_\_\_\_\_\_\_\_\_\_ have their own agenda and lack any company or professional loyalty.

a) Deserters

b) Misguided cannons

c) Grenades

d) Toxic ammo

Ans: c

Response: See page 218.

1. Which of the following is false?

a) A mission statement describes “how we do business.”

b) Mission statements should be short and memorable.

c) Mission statements should be written by outsiders who are unbiased.

d) For some companies, mission statements are a mainstay of the corporate culture.

Ans: c

Response: See page 224

1. When designing a policy manual:

a) It is important to use legalese to demonstrate the formality of the document.

b) Important policies should be communicated in short brochures.

c) Policies should be alphabetized to communicate that all policies are important.

d) Include policies from all departments so the manual is standardized.

Ans: b

Response: See pages 226-227.

1. When communicating a code of conduct:

a) Focus on values that should guide decision making.

b) Provide the same code of conduct to all departments regardless of its length.

c) Refrain from changing the code of conduct regularly.

d) Fewer employees will read the code if it is short.

Ans: a

Response: See page 227

1. Your friend, Sam, has been selected to create a new ethics training program at work. What advice should you give Sam?

a) Ensure that all employees receive the same training content.

b) Focus on new employees only; the other employees already know this stuff.

c) Provide separate training depending on the needs of different groups of employees.

d) Bring in outside consultants to conduct the training.

Ans: c

Response: See page 226.

1. The \_\_\_\_\_\_\_\_\_\_ approach to formal corporate ethics initiatives is proactive and inspirational.

a) Rules

b) Compliance

c) Principles

d) Values

Ans: d

Response: See page 242.

1. The \_\_\_\_\_\_\_\_\_ approach to formal corporate ethics initiatives focuses on meeting required behavior norms or obeying the letter of the law.

a) Rules

b) Compliance

c) Principles

d) Values

Ans: b

Response: See page 242.

1. Under the U. S. Sentencing Guidelines, the same crime can be subject to a wide range of penalties. In determining the penalty, the following will be considered:
2. Prior violations
3. Whether management reports itself
4. Whether management cooperates with authorities
5. Whether the firm has an effective program in place to prevent and detect illegal behavior
6. All of the above

Ans.: e

Response: See Page 209

1. \_\_\_\_\_\_\_\_\_\_\_\_\_ is a term frequently used to describe ethics initiatives that begin at the top of the organization and work their way down, level by level.
2. Surveying
3. Globalizing
4. Auditing
5. Cascading
6. Collaborating

Ans.: d

Response: See page 232

1. Which of the following is false?

a) An effective approach to managing ethics has a compliance-only focus.

b) Abstract value statements can appear hypocritical to employees.

c) Strictly compliance-oriented programs are often viewed by employees with cynicism.

d) With a compliance-only focus, employees believe anything goes as long as there isn’t a rule against it.

Ans: a

Response: See page 242.

1. The US Sentencing Guidelines use a “carrot and stick” approach to managing corporate crime. What is meant by the use of “carrot” and “stick”?

a) The carrot dangles at the end of the stick as an incentive for organizations to continue to behave ethically.

b) The carrot refers to the guidelines as “food for thought” and the stick refers to the punishment if the guidelines are not followed.

c) The carrot refers to incentives in the guidelines to behave ethically and the stick refers to the punishment if the guidelines are not followed.

d) None of the above.

Ans: c

Response: See page 209.

Difficulty: Difficult

1. Which of the following is true?

a) Fines applied by the US Sentencing Commission have *decreased* on average since 1990.

b) Only the presence of a code of ethics in the organization is necessary to meet the US Sentencing Commission’s idea of an effective compliance program.

c) The US Sentencing Commission allows prosecutors to assess the quality of an organization’s compliance program in order to determine appropriate penalties.

d) The 1987 sentencing guidelines mandated incarceration for only the worst felony offenders.

Ans: c

Response: See page 210.

Difficulty: Difficult

1. Under the 2004 sentencing guidelines, the \_\_\_\_\_\_\_\_\_\_ are expected to oversee the compliance and ethics program while \_\_\_\_\_\_\_\_\_\_ is/are charged with ensuring its effectiveness within the company.

a) Board of directors; top management

b) Board of directors; the CEO

c) The CEO; general managers

d) The company’s ethics officer; top management

Ans: a

Response: See page 210.

Short Answer

1. You are a top executive charged with evaluating the state of ethics communications in your company. List four key questions you will need to ask as part of your evaluation. In addition, provide an example that clarifies the meaning of each question.

Ans: (1) What kinds of ethical dilemmas are employees likely to encounter? (2) What don’t employees know? (3) How are policies currently communicated? And (4) What communication channels exist?

Response: See pages 219-220.

1. You are a top executive charged with developing a plan for the company’s formal communication of ethics. Briefly describe three communication channels and an example of how you would use each one.

Ans: Students can select from a variety of communication channels including recruiting brochures, orientation materials, newsletters, magazines, company internet, and booklets.