**BISMA**

**MODEL QUESTION PAPER**

**MBA IV Semester**

**SUBJECT: BUSINESS ETHICS AND CORPORATE GOVERNANCE**

**SESSION 2017-18**

Time Allowed – 3 Hours

Max. Marks:

**Section A**

**Q.1 Long Questions (Each carry equal marks)**

**Attempt any 3**

1. **Give some examples of Indian companies with reference to CSR?**

**Ans.** CSR is a company’s sense of responsibility towards the community and environment (both ecological and social) in which it operates.

**MUTHOOT FINANCE**

The Company has spent money to promote pesticides-free organic vegetables. On the inauguration day, company distributed 3,000 vegetable grow bags to 300 families of Chellanam, Kerala. The Company worked for providing assistance to eligible girls of families who have lost their breadwinner/girl children of widows. In December 2015, Chennai experienced the worst rainfall leading to devastating floods. Company organised relief activities in the affected areas and  among many other areas. Muthoot Snehasraya is a mobile laboratory intended for the prevention and early detection of kidney-related diseases, diabetes and hypertension ailments.

**Mahindra & Mahindra**

Mahindra & Mahindra is one such company that decided in its 60th year to donate 1% of profits after tax (around Rs 1.3 crore as per figures shown) into CSR. Its activities include the K.C. Mahindra Education Trust, which promotes education at various levels and Nanhi Kali, a programme aimed at helping the under-privileged girl child at the Mahindra Foundation, the midday meal program in AP and Rajasthan, and Affirmative Action through Mahindra Pride Schools. The Foundation has constituted a CSR Council, with members being the heads of all its businesses from tractors to holiday homes. It has also the ESOPS program--"Employee Social Options" and not just a stock option--promotes volunteering and works in partnership with Naandi Foundation and other organizations. For all these current initiatives Mahindras were awarded

**GODREJ**

Godrej Industries Ltd., one of the largest industrial groups in India, has not only integrated conservation of natural resources in its business operations but has also diversified into renewable to minimize its carbon footprint. The company's windmills have brought down carbon emissions, earning it carbon credits. A recent Green Business Survey released by Financial Express and Emergent Ventures India) revealed that senior managements have realized various risks related to climate change and are putting pressure on their companies to manage climate change risks. Financial companies (67%) acknowledge this risk before others and put pressure on borrowers to come up with mitigation plans.

1. **Discuss the evolution of Indian Management Thought? Differentiate between Western Management Thought and Indian Management Thought?**

**Ans.** The Indian Management has derived its values from the traditional norms, norms which govern day to day activities of people like social, ethical, cultural or religious activities.

Tactics from the great epics like Mahabharata and Chinese art of war are being now considered as powerful tools for the managers who now look for different approach to do business.

Difference between**:**

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| BASIS OF COMPARISION | WESTERN MANAGEMENT THOUGHT | INDIAN MANAGEMENT THOUGHT |
| 1) Belief | Profit is the main priority, more focus is given on production and productivity. | Gaining profit with belief in achieving human and social welfare also. |
| 2) Guidance | Management is guided by mind only , led away by ego and desire. | Management led by consciousness , peace and soul. |
| 3) Emphasis | Emphasis is on training and development ,management of others and profit maximization. | Development of employees and society, increasing harmony,  Happiness and health, management of self. |
| 4) Tools and Techniques | Focus on 5 M’s i.e. men, money, materials machines. Science and technology, information for decision making. | Focus is mainly on men, machines, materials and methods. Information, analysis and intuition play an important role for decision making. Analytical skills combined with ethics and values. |
| 5) Problem solving | Resolving conflicts by negotiation and compromise. | Resolving conflicts elf introspection, stepping back aids for solution. Ensuring harmony and unity. |
| 6) Decision making approach | Brain storming or round table approach, discussions and exchange of ideas. | Brain- stilling or room of silence. |
| 7) Industry development  process | Physical or vital only soul or spirit ignored. Material development at the cost of man and nature. | Integrated development , breath control and emphasis on meditation, human enrichment and   total quality. |
| 8) Mental approach to any problem or decision making | External behavior, mental, material, soulless. All in monetary terms. | Holistic approach , noble attitudes, inner guidance, total harmony and total good. |

1. **What do you understand by Moral Obligations with reference to Business Ethics?**

**Ans.** Moral obligation can be defined as an action that one must perform as it is considered the right thing to do. It refers to an individual's feeling that requires him to react in certain ways in response to the moral norms of the society. For example doing charity is a kind of moral obligation.

Generally people are not required always to give to charities but they may consider it as personal obligation to do so as they believe it is the right thing to do. External pressures like religious beliefs, particularly in islam, where charity is considered a pillar of faith can also play a role in charitable activities. When people give to charities, they do so with their own values as a motivator.

Having a sense of moral duty arises from the idea of right and wrong. These ideas are shaped by social family another external factors.

**Moral obligations are of two types:**

1) Those found on a natural right, as the obligation to be charitable which can never be enforced by law.

2) Those which are supported by good or valuable consideration.

**Sources of moral obligations:**

Moral obligations arise from three sources:

1) **Law based moral obligation**: Good citizens have a moral as well as legal obligation to abide by law, it is part of the assumed social contract of civilized society. For example, most aspects of moral duty to not harm others are there in criminal and civil laws prohibiting homicides, drunk driving, defamation, robbery, forgery, fraud etc.

2) **Agreement based moral obligation**: The second source of moral obligation is agreement. In business if we have agreed to do something then it becomes our moral obligation to fulfill it. When a person borrows money promising to pay it back in a week this undertakes a moral duty to do what he has promised to do.

3) **Moral principle as the basis of moral obligation**: The third source of moral obligation is moral principle a standard of conduct that exists irrespective of laws or agreements. Moral principles are derived from religious doctrine and philosophical reasoning. Principles are the very core of business ethics.

Business ethics includes these moral obligations for running the business in an effective and successful manner.

1. **Elaborate the relevance of Trusteeship Principle in Modern Business?**

**Ans.** Relevance of trusteeship principle in modern business are as following –

* 1. Using trusteeship in decision making would require the Organisation to believe that it is taken for the betterment of society. The principles of trusteeship needs to be reflected in the policies, systems and procedures of the Organization that guides its functioning.
  2. Trusteeship goes beyond existing notions of stewardship, philanthropy and social responsibility. Stewardship aims for collectivism and relies on trust and higher values in the running of an enterprise. Philanthropy involves making a contribution to the activities that involve good work and hence is an expression of support and encouragement. Social Responsibility stipulates organizations needs to recognize their responsibility towards society.
  3. Gandhiji’s trusteeship is an ideal standard that requires being pro-active. It is ethics, philanthropy and social responsibility all rolled into one.
  4. The trusteeship idea helps in several areas of decision making. For instance, what should be the location of the Unit, will it benefit the community without affecting the environment, what technology should be used, what should be the manner of advertising etc.
  5. Society require Organizations to live to a higher standard and trusteeship provides such an ideal standard.
  6. Gandhiji’s trusteeship can provide moral foundation for businesses to take a larger view of their responsibilities. It may be easier for individuals to practice the principle of trusteeship in modern business rather than being answerable to various owners and financial markets.

**Example of Tata Group** – trusteeship is the model of responsibility that best describes the group founder of JRD Tata’s view of himself and his role in the world. JRD Tats adopted the framework of trusteeship with says that the wealth does not go automatically to the family members but to those who can function as its trustees and use it for the betterment of the community and he implemented it in a practical way within the TATA ethos.

**Principles of trusteeship in today’s business**

1. Surplus wealth needs to be kept in trust for common good and welfare of others.

2. Everything that we do must be economically viable as well as ethical at the same time making sure that we build sustainable livelihoods for all.

3. Economic equality through trusteeship will ensure an equitable distribution of wealth amongst all.

**SECTION-B**

* 1. **“COCA-COLA” a company to be looked upon as an example of taking good CSR initiatives or as a company striving hard for survival with lot of challenges. Comment.**

**Case study of coca-cola**

1. Coca-Cola’s profile: Coca-Cola started its business in 1886 as a local soda producer in Atlanta, Georgia (US) selling about nine beverages per day. By the 1920s, the company had begun expanding internationally.
2. Coca-Cola’s CSR policies and reporting: In 2007 Coca-Cola launched its sustainability framework Live Positively embedded in the system at all levels, from production and packaging to distribution. The company’s CSR policy Live Positively establishes seven core areas where the company sets itself measurable goals to improve the business’ sustainability practices. The core areas are beverage benefits, active healthy living, the community, energy and climate, sustainable packaging, water stewardship and the workplace. Coca-Cola has a Code of Business Conduct which aims at providing guidelines to its employees on – amongst other things – competition issues and anti-corruption.
3. Coca-Cola’s conflicts several campaigns and demonstrations followed the publication of a report issued by the Indian NGO Centre for Science and Environment (CSE) in 2003. The presence of pesticides Regarding the allegation about Coca-Cola beverages containing high levels of pesticide residues, the Indian government undertook various investigations. The government set up a Joint Committee28 to carry out its own tests on the beverages. The tests also found the presence of pesticides that failed to meet European standards, but they were still considered safe under local standards. Therefore, it was concluded that Coca-Cola had not violated any national laws
4. Water pollution and the over-extraction of groundwater. Coca-Cola was also accused of causing water shortages in – among other areas – the community of Plachimada in Kerala, southern India. In addition, Coca-Cola was accused of water pollution by discharging wastewater into fields and rivers surrounding Coca-Cola’s plants in the same community. Groundwater and soil were polluted to an extent that Indian public health authorities saw the need to post signs around wells and hand pumps advising the community that the water was unfit for human consumption.
5. Coca-Cola’s CSR policies post-conflicts: Two years before the water conflict in India in 2003, Coca-Cola adopted the GRI Guidelines and started reporting on sustainability. By 2003, the company had already experienced a few CSR-related conflicts in other parts of the world.45 However, none of them had the grave consequence of a loss of trust in the company and its products by consumers and the public in general.

Coca-cola's efforts to stop ground water wastage:

(1) Reducing water use by improving water efficiency by 20% over 2004 levels by 2012.

(2) Recycling water through wastewater treatment and returning all water used in manufacturing processes to the environment at a level that supports aquatic life and agriculture by the end of 2010. By September 2011, the progress observed concerning this target was 96%.

(3) Replenishing water used by offsetting the litres of water used in finished beverages by 2020 through local projects that support communities and nature.