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Reg. No.....

Name.....

M.B.A. DEGREE EXAMINATION, NOVEMBER 2023

Third Semester

MB010302—BUSINESS ETHICS AND CORPORATE GOVERNANCE

(2019 Admission onwards)

Time : Three Hours

Maximum Marks : 60

*Answer any **three** questions.*

Each question carries 20 marks.

Case I

1. A junior member of staff has just returned to work after taking special leave to care for her elderly mother. For financial reasons she needs to work full time. She has been having difficulties with her mother's home care arrangements., causing her to miss a number of team meetings (which usually take place at the beginning of of each day) and to leave work early. She is very competent in her work but her absences are putting pressure on her and her over worked colleagues.

You are her manager, and you are aware that the flow of work through the practice is coming under pressure. One of her male colleagues is beginning to make comments such as "a woman's place is in the home" and is undermining her at every opportunity, putting her under even greater stress.

- (a) In the above case , bring the work ethos and values of Indian *vs* Western management principles and practices.
- (b) What's the ethical dilemma faced by the employee, the manager ? Suggest various ethical decision making and reasoning towards transparent work culture for the coworkers/peers.
- (c) How will you not discredit yourself, your profession and practice for which you work as well as maintain your integrity and confidentiality in your professional leadership for various outcomes ? Discuss.
- (d) Justify the consequences in the context of value based management and governance.

(4 × 5 = 20)

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Case II

2. Working for My Cup or the House ?

For those who are not familiar with the service industry, employees are paid minimally by the company they work for and their pay rate is determined by the tips received from customers. As a bartender, a person is exposed to having to deal with all sorts of people's needs as well as employee competition and standard operating procedures set forth by management. Every time a drink is poured, a decision must be made whether to follow company standards or give away extra alcohol in order to receive a larger tip. When first being promoted to bartender at an established golf resort, I witnessed firsthand the different factors that can affect one's "pour". A pour can be defined as how much liquor is added to a customer's drink.

The three factors that affect one's pour are as follows: comparisons to other employees' pours, the requests of customers for extra pours with compensation of a larger tip, and what the company designates as a pour.

When working as a team or having repeat customers, bartenders are compared based on their pour. If one bartender uses two pours and another uses one pour (the latter is the standard for the company), the rule-following bartender is not viewed as favourably as the one using the larger pour. This is clearly reflected in tips from customers. Similarly, the customer might say, "Put a little extra in there and I'll take care of you".

The employee is put on the spot to choose between the company and him or herself. The bartender with the heavier pour or who gives away drinks for free may receive more money in their tip cup but the company suffers from lost revenues. If a bartender makes an average of 100 drinks a night and uses two pours instead of one for each drink, that bartender is giving away 100 drinks worth of alcohol each night which reduces nightly revenues, and has a huge effect on yearly liquor revenues. In this highly competitive and profitable industry, over pouring is a practice that can cripple a business. As the newest bartender, one wants to fit in with the other bartenders and earn as much money as possible though it costs the company or "house" profits.

- (a) Explain, which is more important, filling your own tip cup or maximizing the house's profits that does not directly benefit the bartender ?





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- (b) Is it ethical to over pour customers' drinks in order to develop better customer relations to earn more tips at the expense of company revenues -evaluate ? Are the bartenders using the “entitlement mentality” here to justify their self-serving actions ? Do bartenders have a “right” to take care, of their own cups ?
- (c) Analyse ethical decisions : If the customer wants or expects over pouring, should the companies allow over pouring in order to satisfy the customers' wants and desires ?
- (d) Is it ethical to witness and not report over pouring on the part of fellow bartenders who have been there longer ? Should I inform management what is happening ? Discuss your response.

(4 × 5 = 20)

Case III

3 According to Steven Levitt, author of Freakonomics, a small bit of inflation on one's r sum is universal. Levitt estimates that at least half the people engage in this deception to some degree. Typically, the small edits to one's r sum are done to disguise some unaccounted for time in between jobs. There may be nothing to hide except the fact that unexplained time period looks suspicious. On other occasions, the deceptions have been more substantial; for example, claiming an academic degree one almost acquired but didn't : “Well, I was just two courses short!” It has also been said that based on studies, the average American tells one or two lies a day, often at work. A survey of 2,500 hiring managers by CareerBuilder found that 30 percent of them find false or mis- leading information on applicants' r sum s. A r sum controversy with significant consequences occurred when the then-Yahoo CEO, Scott Thompson, was questioned about a statement on his company's Web site, which reported that he had a degree in computer science. A dissident shareholder went public with the revelation that Thompson couldn't have a degree in computer science because the small college he graduated from didn't have a computer science major until after he graduated. The company's regulatory filing indicated that Thompson had a degree in accounting and computer science. Thompson claimed the Web site information was an inadvertent error without providing more information. According to his college, Thompson graduated with a bachelor's of science in business administration degree.

Days after this information came out, a person close to Yahoo's board reported that in absence of information that Thompson intentionally misled, the company probably would

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not force him out, indicating that his importance as CEO to the company was more important than whether he had a computer science degree or not. In spite of this, CEO Scott Thompson resigned his position soon thereafter amid the controversy over his r sum discrepancy.

- (a) In light of the prevalence of these practices, is r sum inflation and deception acceptable? Is it okay up to a point as long as the distortion doesn't get too big? Is a small amount of puffery on one's r sum just expected as part of the game of getting a job and getting ahead? What would the conventional approach to business ethics say?
- (b) Some small schools don't have official majors but people sometimes claim them anyway because they took several courses in a specialized area. Is this an acceptable practice?
- (c) Explain the pros and cons, If you had been on Yahoo's board, would you have supported keeping Thompson?
- (d) Why do you suppose Thompson resigned? Identify and prioritize the best practices for improving the organization's ethical climate.

(4 × 5 = 20)

Case IV

4. A new group of consulting firms in China now advertise that they can help Chinese factories pass labor audits being conducted by Western companies. These firms claim they can help generate two sets of books—real ones and fake ones. These consultants are part of a growing cottage industry in China that help factories “appear” to pass the increasingly stringent audits being used to help clean up sweat shops and labor abuses in that country. Auditors of working conditions in low-wage plants have also said they have found documents that might have been used in factories to prep workers with the answers the factory wanted the auditors to hear—this is according to the Fair Labor Association (FLA) that conducted an investigation.

The director of the Ethical Trading Initiative, a London-based group, has said that audit fraud is a serious problem. Fake payroll books have become so common that auditors now assume there are (at least) two sets of books. China Labor Watch, a New York-based advocacy group, alleged that one toy factory in China may have bribed its auditor in addition to forging employee time sheets and salary records.





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One Chinese consulting firm even advertised on the Internet that it has software available to generate fake factory books. The software also allows the factories to adjust their employee data to present the type of profile the auditors are expecting. The demand for the services of these consulting firms seems to be rising as factories seek to pass the sometimes difficult audit standards. In their defense, some factory owners in China say it's impossible to meet the MNC's demands for better working conditions while also keeping prices low.

- (a) Discuss if it is ethical to operate a consulting firm that helps factories to lie, cheat, and deceive auditors seeking to monitor working conditions ? Could you imagine firms such as this succeeding in your country, citing examples ?
- (b) What are the implications for the business system in countries that permit this to occur ? What happens to the business and society relationship ?
- (c) Should the MNCs striving to create ethical supply chains attempt to interact with and lobby the Chinese government to outlaw consulting firms such as these ? Substantiate your points.
- (d) Is it possible that we have now reached the point that working conditions cannot be improved while keeping prices low ? If so, what comes next ? How will you control the human rights violations and the global corruption ? Highlight your suggestions.

(4 × 5 = 20)

Case V

5. The Pocketed Purse :

At work, we have a warehouse and an office in the building. During the Holiday season, we have a program to assemble gift sets, which requires hiring extra help for the season. About two to three months ago, a lady from the warehouse working on this project told me during a conversation that \$30 was missing from her purse, which she left in the cafeteria because there was no other place for seasonal help to put their belongings. She did not make a big deal about it because she had no proof of who took the money. In addition, she did not speak English and so she did not know how to communicate to management what had happened. I asked her if she wanted me to explain the situation to management, but she told me not to do that because she had no proof of who did it.

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Only a few people in the office knew that the company has surveillance cameras in the cafeteria. If I spoke up, it meant that the culprit would lose their job when caught. I had no idea who took the money ; it could have been one of my close friends at work or it might have been a person to whom I barely speak. I had an ethical dilemma because if I chose to just let it go, the person who took the money would get to keep their job, but it bothered me that someone could be going into someone else's belongings and stealing from them. In the end, I went up to management and told them about the situation. They reviewed the cameras, and in fact, we were able to see who took the money. The young woman who stole the money was fired on the spot.

- (a) Was it right for me to report the problem to management ? Considering all the facts, would you have done the same ?
- (b) In making your decision, were you affected by the fact that the thief could have been one of your friends ? Do you have any moral obligations to friends ?
- (c) Did the fact that the woman who was robbed asked you not to say anything affect your decision ? Do you feel she had any rights not to be observed via surveillance without her knowledge ?
- (d) What other steps can management take to be responsive to potential whistleblowing situations ? What else could you do to rectify the situation ?

(4 × 5 = 20)

