

MMS - IV
stuti

MMS - IV

Business Ethics & Corporate Governance

01-04-2011

No. of Printed Pages : 3

No. of questions : 7

MARKS: 60

DURATION: 3 HOURS

Business Ethics &
Corp. Governance

INSTRUCTIONS:

1. Question 1 and 7 are compulsory.
2. Attempt any 3 questions from Question 2 to Question 6.
3. Question 1 carries 20 marks and all other questions carry 10 marks each.
4. Answer to the point and write legibly.

BECG 04

Q.1. Read the enclosed Case Study and answer the questions given below.

Chief Mentor N.R. Narayana Murthy is as well known as a promoter of corporate governance reform and excellent corporate workplace ethical practices, as he is as the co-founder of Infosys Technologies Ltd., the Mysore-based company that is one of India's new technology leaders. Murthy, who turned 60, is relinquishing key executive positions in the company he co-founded in 1982 to become the enterprise's Chief Mentor. Much like Bill Gates at Microsoft, Murthy has pioneered a technology revolution and as his corporation has become firmly established and very successful, so he has distanced himself from day-to-day operations. Infosys, which employs over 58,000 people worldwide, provides consulting and IT services. It is one of the pioneers in strategic offshore outsourcing of software services. Murthy is a fervent believer in globalization, a major influence on the thinking of author Tom Friedman (The World Is Flat: A Brief History of the Twenty first Century) and a leader of India's technology revolution. His approach to corporate governance and workplace values has been no less influential on the most 6 dynamic and successful technology companies in India. Infosys highlights its perspectives at www.infosys.com.

On July 31, 2006, Murthy opened the NASDAQ market from his corporate headquarters in Mysore. He said, "Twenty-five years ago, we founded Infosys with a vision of the global delivery model. That vision has been validated as the tide of globalization has swept across the world and businesses are dramatically changing how they run their organizations. Opening the NASDAQ market from India is not only a great honor for Infosys, but also illustrative of the emerging new world." The Company's Vision is: "To be a globally respected corporation that provides best-of breed business solutions, leveraging technology, delivered by best-in-class people." And, its Mission is: "To achieve our objectives in an environment of fairness, honesty, and courtesy towards our clients, employees, vendors and society at large."

Infosys has built a state of the art office complex in Bangalore with all modern facilities which helps in giving its employees a sense of belonging. While offering stock options to its employees, it ensures that the workforce has a stake in its overall growth. Actions speak louder than words and leaders must speak in a way that inspires integrity and a vision for the company.

Corporate Governance is an area of critical importance to Infosys and one where it has sought to be a global leader. It is seeking to use its model example to promote far higher standards in India and Murthy has been one of the most vocal and influential advocates of corporate governance reform in his country.

The company states: "We believe that sound corporate governance is critical to enhance and retain investor trust. Accordingly, we always seek to ensure that we attain our performance rules with integrity. Our Board exercises its fiduciary responsibilities in the widest sense of the term. Our disclosures always seek to attain the best practices in international corporate governance. We also endeavor to enhance long-term shareholder value and respect minority rights in all our business decisions."

The Infosys corporate governance philosophy is based on the following principles:

- Satisfy the spirit of the law and not just the letter of the law.
- Corporate governance standards should go beyond the law.
- Be transparent and maintain a high degree of disclosure levels. When in doubt, disclose.
- Make a clear distinction between personal conveniences and corporate resources.
- Communicate externally, in a truthful manner, about how the company is run internally.
- Comply with the laws in all the countries in which the company operates.
- Have a simple and transparent corporate structure driven solely by business needs.
- Management is the trustee of the shareholders' capital and not the owner.

Infosys stresses that at the core of its corporate governance practice is the Board, which oversees how the management serves and protects the long-term interests of all the stakeholders of the company. It states: "We believe that an active, wellinformed and independent Board is necessary to ensure the highest standards of corporate governance.

Majority of the Board, 9 out of 16, are independent members. Further, Infosys has compensation, nomination, investor grievance and audit committees, which are comprised of independent directors."

"As a part of our commitment to follow global best practices, we comply with the Euroshareholders Corporate Governance Guidelines 2000, and the recommendations of the Conference Board Commission on Public Trusts and Private Enterprises in the U.S.

We also adhere to the UN Global Compact Programme." To promote corporate social responsibility the company established a philanthropic foundation in 1996, 97 which is mostly engaged in social, health and education programs in India. Murthy is the chairman of the governing body of the Indian Institute of Information Technology, Bangalore and the Indian Institute of Management, Ahmedabad. He was the Chairman of the Committee on Corporate Governance appointed by the Securities and Exchange Board of India (SEBI) in 2003. He is a member of the Board of Overseers of the University of Pennsylvania's Wharton School; Cornell University Board of Trustees; Singapore Management University Board of Trustees; INSEAD's Board of Directors and the Asian Institute of Management's Board of Governors. He is also a member of the Advisory Boards and Councils of the William F. Ahtmeier Center for Global Leadership at the Tuck School of Business, the Corporate Governance initiative at the Harvard Business School, and the Yale University President's Council on International Infosys Foundation, the philanthropic arm of Infosys Technologies Ltd., came into existence on 4th December 1996 with the objective of fulfilling the social responsibility of the company by supporting and encouraging the underprivileged sections of society. In a short span of time, the Foundation has implemented numerous projects in its chosen areas. The Foundation has undertaken various initiatives in providing medical facilities to remote rural areas, organizing novel pension schemes and in aiding orphans and street children. It has undertaken a large rural education program titled "A library for every school" under which 5500 libraries have been set up in government schools spread across many villages. Other activities include the reconstruction of old school buildings, setting up of rural Science Centres and schemes to provide support to dying traditional art and culture forms.

Questions

- (a) On July 31, 2006, Murthy said that Infosys was started with a vision of global delivery. Analyze the vision statement of Infosys in terms of ethical issues involved while developing the vision statement?
- (b) Discuss the major corporate governance initiatives taken by Infosys on the basis of which it sought to be a global leader.

- Q.2 (a) Organizations draft corporate codes that reflect the purpose of the company and help employees behave in an ethical. What is a corporate code? How can the implementation of such a code be monitored?
- (b) You are required to draft the Corporate Code for your Company. How will you go about it?
- Q.3 (a) Discuss the major issues regarding the inception content and context of the Report of Sir Adrian Cadbury on Corporate Governance
- (b) CEOs and Chairpersons of blue-chip companies receive astronomically high remuneration. Do you think this is ethical? Comment
- Q.4 (a) Discuss the formulation, genesis and main issues given in the Kumaramangalam Birla Committee Report on Corporate Governance.
- (b) What is money laundering and how is it done? Is it ethical?
- Q.5 (a) Discuss the main issues regarding the Sarbannes Oxley Act of the US Government enacted in 2002
- (b) Why do you think there is a need for ethics in business?
- Q.6 (a) What do you understand by the term Corporate Social Responsibility? How is it connected to Business Ethics?
- (b) Give at least four examples of CSR initiatives undertaken by major organizations in India and how it has affected the business.
- Q.7 Write Short Notes on (any two)
- (a) Ethics, values and morals.
- (b) Ethical issues in Marketing
- (c) Ethical issues in HR
- (d) Board of Directors