

VPM's  
DR VN BRIMS, Thane  
Programme: **MMS (2013-15)**  
**Fourth Semester Examination April 2015**

Subject	<b>Business Ethics and Corporate Governance</b>		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	3	Date	08-04-2015

**Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.**

**Q1) 20 Marks (Compulsory)**

*"Coca-Cola, also known as Coke, has the most valuable brand name in the world and, as one of the most visible companies worldwide, has a tremendous opportunity to excel in all dimensions of business performance"* - Ferrell, Fraedrich, & Ferrell (2008)

The business world has gone global; global business consists of transactions that are devised and carried out across national borders to satisfy the objectives of individuals, companies, and organizations. These transactions take on various forms, which are often interrelated. A good example of global business is that of Coca-Cola, whose soft drinks sell in stores, restaurants, and vending machines and are popular across the world.

Coca-Cola is the world's largest beverage company that operates the largest distribution system in the world. This allows them to serve more than 1 billion of its products to customers each day. The marketing strategy of the company is to promote four out of the five top selling soft drinks such as Coke, Diet Coke, Fanta and Sprite to earn sales. This process they believe builds strong customer relationships, whereby customers will be more willing to help Coca-Cola produce and grow.

Pepsi and Coca-Cola, between them, hold the dominant share of the world soft drink market. Even though Coca-Cola produces and sells in large numbers across the United States, in order for them to expand and grow, they had to build their global soft drink market by selling to customers internationally. For example, both companies continued to target international markets focusing on traditional soft drinks, new-age drinks and expanding into the snack-food businesses. According to the late Roberto Goizueta, "Coca-Cola used to be an American company with a large international business. Now we are a large international company with a sizable American business".

Increasing market share is one of the most vital aims for a business such as Coca-Cola and Pepsi. Coca Cola's strategy of achieving goals such as the international mergers, big market shares, snack food production and overall performance allowed them to strive then and continue to succeed today. Today, most of coke sales are spread throughout the world. This means that Coca Cola makes almost 70% of its profits from other countries.

Coca Cola as a company has been facing problems in the past decades. This has led to the slowing down of its business activities and loss of profits due to reduction in market facilities. These issues have affected the company drastically by creating loss of reputation and poor economic performance.

The company has been accused of polluting the environment. Villages in India accused



the company of using up local ground water that would lead to water problems in future. The company was ordered to close a facility by the pollution control board of Kerala.

Another ethical issue was found in Belgium where school children became ill after drinking Coca Cola products in 1999. The company considered this as a minor issue which led to withdrawal of the company's products from Belgium. The company sold the banned cans to Africa and no harm was reported. The media learned about this act of selling banned cans to Africa and reported it to the public. They considered this act as racial discrimination and they withdrew their shares from the company; with Coca-Cola losing 50% of its value of share.

The company was accused of practicing channel stuffing. Channel stuffing is "the practice of shipping extra inventory to wholesalers and retailers at an excessive rate, typically before the end of a quarter". It helps a company to inflate their sales and earnings figures. When a company ships out their product to a distributor, it is counted as a sale. However, when a company participates in channel stuffing, they count the sale and usually the product is returned or it remains in a warehouse. In Coca Cola's situation, they were accused of sending extra concentrate to Japanese bottlers from 1997 to 1999 to dishonestly inflate their profits.

a) Which of the above issues put up against Coca-Cola do you think are ethical concerns? Why do you say so? (5 marks)

b) Coca-Cola must remain alert to keep their brand untarnished and their ethical issues to a minimum; their brand is their main key to success. If you are appointed as the new president of the company: (15 marks)

- What would be your plan to improve their reputation caused by some of the problems mentioned above?

- How would you create a more ethical organization, considering the challenges of operating in a global market?

**Attempt Any FOUR from the Remaining SIX Questions**

**Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

a) What are the major ethical issues that business' face today? Discuss them with suitable examples.

b) Explain anyone of the following framework's for ethical decision making using an example from business. a) Laura Nash Framework b) Utilitarian Framework c) Rights Approach

c) Joseph Badaracco, Jr. in his article 'We don't need a hero' argues in favour of 'quiet moral leadership'. What does he mean by that and what are the four rules that quiet leaders follow in meeting ethical challenges and making decisions?

**Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

a) What could be the various motivations and payoffs of introducing ethics programmes in an organisation?

b) Is there are difference between individual ethics and ethics of a group or organization? How can these differences be managed to deal effectively with ethical dilemmas?

c) Discuss the ethical beliefs of any two Indian leaders and how these beliefs have

influenced Indian business.

**Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- a) 'What has been done so far in CSR in India is good, but there is lot more to be done..' Do you agree?
- b) While evaluating the process of ethical decision-making it is important to understand the concept of moral development as put forth by psychologist Lawrence Kohlberg. Explain with suitable examples, the various stages of moral development, in Kohlberg's model, that people pass through?
- c) What according to you are the most important challenges faced by organizations operating in a global environment? Explain in context to the concept of cultural relativism.

**Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- a) Explain the role played by leadership in creating an ethical organization. State the example of an Indian organization where leadership has played an important role in building an ethical organisation.
- b) What are the most important aspects you will keep in mind while designing the code of conduct for an organization?
- c) Discuss any one of the following:
- i) Economists view on ethics
  - ii) Philosophers view on ethics (Discuss any two: Aristotle, Plato, Immanuel Kant)
  - iii) Political Ideologies and ethics

**Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- a) State the purpose of a corporation and discuss corporation as a 'moral person'.
- b) Explain the role of Corporate Governance with regards to various stakeholders of an organisation.
- c) Many models of corporate governance try to involve various stakeholders in the governance of the company. Discuss any one of the following models of corporate governance: a) Anglo-American Model b) Japanese Model of corporate governance

**Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- a) The Kumar Mangalam Birla Committee Report, the Cadbury Committee Report and the Narayan Murthy Committee Report are among the landmark reports on corporate governance published in India and abroad. Discuss the recommendations of any one of the reports mentioned above.
- b) Discuss various board styles with the help of a diagram.
- c) What are the main functions of the board of directors with reference to corporate governance?