

**Business Ethics and Corporate Governance (MB321) : July 2007**

**Section A : Basic Concepts (30 Marks)**

**This section consists of questions with serial number 1 - 30.**

**Answer all questions.**

**Each question carries one mark.**

**Maximum time for answering Section A is 30 Minutes.**

1. Various factors/principles are involved in ethical decision making. Which of the following factors/principles implies that decisions which affect a large number of people require great attention?

- (a) Magnitude of consequence
- (b) Probability of effect
- (c) Concentration of effect
- (d) Proximity
- (e) Time interval.

< Answer >

2. Due to which of the following reason/s can corporations be referred to as "moral persons"?

- I. The ability to use moral reasons in decision-making.
- II. The ability of the decision-making policy to control not only the explicit corporate acts but also structure the policies and rules.
- III. Entitlement to the same political and voting rights that are guaranteed by the constitution to citizens.

- (a) Only (II) above
- (b) Both (I) and (II) above
- (c) Both (I) and (III) above
- (d) Both (II) and (III) above
- (e) All (I), (II) and (III) above.

< Answer >

3. Which of the following is a system established by Nike to assess new factories likely to be added to the

Nike production group, that involves a preliminary inspection of the factories to determine whether they

meet basic parameters for a clean healthy workplace?

- (a) SHAPE
- (b) Just-in-time
- (c) Ethical audit
- (d) Believe approach
- (e) Hedonism.

< Answer >

4. Which of the following is not a liability that a director can be subjected to?

- (a) Liability for breach of statutory duties
- (b) Liability for breach of fiduciary duties
- (c) Unlimited liability
- (d) Personal liability
- (e) Criminal liability.

< Answer >

5. A corporation has various purposes. Which of the following purposes means that corporations are

perpetual entities and can carry out their business activities anywhere in the world?

- (a) Human satisfaction
- (b) Social structure
- (c) Efficiency and Efficacy
- (d) Identity
- (e) Ubiquity.

< Answer >

6. In which stage of ethical consciousness, was there a shift in focus from "business" to "ethics"?

- (a) Law of the jungle
- (b) Profit maximization in the long-term
- (c) Stakeholder concept
- (d) Profit maximization in the short-term
- (e) Corporate citizenship.

< Answer >

7. Which of the following directors influence the decisions of the board without formally being present on

7/22/2007

-

Suggested Answers with Examiner's Feedback

Page 2 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004

For Evaluation Only.

the board?

- (a) Nominee director
- (b) Shadow director
- (c) Non-executive director
- (d) Representative director
- (e) Alternate directors.

< Answer >

8. Which of the following is/are not true about the characteristics of "ethical decisions in business"?

I. Ethical decisions do not have a unique solution.

II. Consequences of most unethical decisions are obvious in nature.

III. Ethical decisions result from situations that are beyond one's control and not from voluntary human actions.

IV. Ethical/unethical decisions have wide ramifications.

- (a) Only (I) above
- (b) Only (II) above
- (c) Both (I) and (IV) above
- (d) Both (II) and (III) above
- (e) (II), (III) and (IV) above.

< Answer >

9. As per analysis by Hellriegel, Slocum and Woodman, according to which of the following principles do

workers believe that they are justified and organizations must customarily compensate more before a festival?

- (a) Categorical imperative
- (b) Conventionalist

- (c) Disclosure
- (d) Organizational ethic
- (e) Distributive justice.

< Answer >

10. A Brazilian NGO Reciclar-t3 makes clothes out of recycled clothes. This is an example of

- (a) Blue initiative
- (b) Global warming
- (c) Community relations
- (d) Value added engineering
- (e) Green initiative.

< Answer >

11. Which of the following unethical practices is/are possible when management buyout is attempted?

I. Management may leak confidential information for its benefit during the buyout.

II. Management may stall the buyout attempt in the hope that another more favorable company will try to take them over.

III. Management may attempt to bring down the share price and buyout the company at a cheaper price.

IV. Management may promote its own interests at the time of bidding.

- (a) Only (II) above
- (b) Both (I) and (II) above
- (c) Both (I) and (III) above
- (d) Both (III) and (IV) above
- (e) (I), (III) and (IV) above.

< Answer >

12. Which of the following unethical practices were prevalent in China in the early 1990s?

I. Child labor.

II. Prison labor.

III. Remuneration discrimination.

- (a) Only (I) above
- (b) Only (II) above
- (c) Only (III) above
- (d) Both (I) and (II) above
- (e) All (I), (II) and (III) above.

< Answer >

13. For which of the following reasons can "firing" an employee be considered just/fair?

- (a) Inclusion of firing "at will" clause in the employment contract
- (b) Lay offs
- (c) Downsizing
- (d) Rightsizing

-

7/22/2007

Suggested Answers with Examiner's Feedback

Page 3 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004

For Evaluation Only.

(e) Act of sabotage by an employee.

< Answer >

14. A multinational company operating from a developed country is said to be ethical if it adopts
- (a) The standards of the home country to frame its policies
  - (b) The standards of the host country to frame its policies
  - (c) Uniform standards in all countries of operations
  - (d) The best of both the home and the host country standards to frame the policies
  - (e) The industry norms.

< Answer >

15. Which of the following is referred to as the sense of obligation on the part of companies to build certain

social criteria and manage the business activities by taking strategic decisions?

- (a) Corporate social responsibility
- (b) Organizational social responsiveness
- (c) Corporate obligation
- (d) Business ethics
- (e) Corporate philanthropy.

< Answer >

16. Which of the following is a characteristic of the Anglo-American model of corporate governance?

- (a) The supervisory board appoints and monitors the management board
- (b) The creditors have a lien on the assets of the corporation
- (c) The labor relations officer finds a place on the management board
- (d) The president is appointed on the basis of a consensus between the shareholders and the banks
- (e) The board ratifies whatever decisions the President takes.

< Answer >

17. Which of the following aims at checking the actions of a firm that are directed at maximizing long-term owner value and the extent of distributive justice?

- (a) Social audit
- (b) Functional audit
- (c) Ethical audit
- (d) Philanthropy
- (e) Enterprise audit.

< Answer >

18. Organizations perform a number of tasks or functions in society. The tasks that involve supporting and

promoting human rights and allow freedom of speech etc., relate to

- (a) Financial tasks
- (b) Economic and production tasks
- (c) Maintenance tasks
- (d) Political tasks
- (e) Adaptive tasks.

< Answer >

19. With respect to business ethics, national and international frauds such as the Harshad Mehta scam, the

Enron scam, the Arthur Andersen scam, and so on, point at

- I. The increasing gap between values and practices.
- II. The incongruity in what is learnt and what is taught.
- III. The Lack of proper systems to curb such practices.

- (a) Only (I) above
- (b) Only (II) above
- (c) Only (III) above

- (d) Both (I) and (III) above
- (e) Both (II) and (III) above.

< Answer >

20. Which of the following is not a feature of an "all-executive board"?

- (a) It is commonly adopted by many family owned businesses and completely owned subsidiary companies
- (b) There is no separation between the owner and the management
- (c) The board does not have even one single outside director
- (d) The owner's interests are automatically safeguarded
- (e) The board is divided into the supervisory board and the executive management board.

< Answer >

21. Which of the following statements about laws is/are true?

- I. Law can be used to regulate every aspect of business.
- II. An activity that is legal is morally permissible.
- III. The law does not employ moral judgments.
- IV. Law is universal in nature.

-

7/22/2007

Suggested Answers with Examiner's Feedback

Page 4 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004

For Evaluation Only.

- (a) Only (I) above
- (b) Only (IV) above
- (c) Both (I) and (II) above
- (d) Both (II) and (III) above
- (e) (I), (II) and (IV) above.

< Answer >

22. The anti-takeover technique where the management stalls a takeover attempt in the hope that another

more favorable company will try to take them over is referred to as

- (a) Sandbag
- (b) Poison pill
- (c) People pill
- (d) Green mail
- (e) Golden Parachute.

< Answer >

23. A change in strategies brings changes in ownership. Which of the following activities, resulting from

change in ownership, involves financing from third parties through substantial borrowing by the private company?

- (a) Exchange offers
- (b) Share repurchase
- (c) Going private
- (d) Corporate raiding
- (e) Leveraged buy-out.

< Answer >

24. Which of the following includes short and long -range studies of the internal requirements of the company and the external supply markets?

- (a) Purchase feedback
- (b) Purchase contract
- (c) Purchase research
- (d) Purchase invoice
- (e) Purchase schedule.

< Answer >

25. With respect to the Indian environment, which of the following is false?

- (a) Carbon intensity levels are high in India compare to other Asian countries
- (b) As per a WHO report, Delhi is one of the top ten most polluted cities in the world
- (c) Majority of environmental issues that India faces are related to air pollution
- (d) Carbon emission in India has grown nine times over the past decade
- (e) India is the largest commercial energy consumer in non-OECD Asia.

< Answer >

26. There are various approaches for implementing a corporate code. In this respect, which of the following

is/are the approaches recommended by Lickona to help managers address ethical dilemmas in the business world?

I. Use of Socratic questioning of isolate views and confronting reasoning.

II. Encouraging open and integrative discussions.

III. Eliciting the full range of ethical values.

IV. Coordination across department in terms of following the same ethical code.

- (a) Only (I) above
- (b) Only (IV) above
- (c) Both (II) and (III) above
- (d) (I), (II) and (III) above
- (e) All (I), (II), (III) and (IV) above.

< Answer >

27. In terms of ethical marketing research, which of the following is not an issue/right pertaining to clients?

- (a) Right to anonymity
- (b) Right to quality research
- (c) Protection against misleading presentation of data
- (d) Inappropriate use of research techniques
- (e) Protection against abuse of position.

< Answer >

28. The focus on corporate social responsibility can be traced back to the

- (a) Indian freedom struggle
- (b) Early nineteenth century
- (c) World War II
- (d) Industrial revolution
- (e) Depression of the 1930s.

-

7/22/2007

Suggested Answers with Examiner's Feedback

Page 5 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004  
For Evaluation Only.

< Answer >

29. Which of the following is not a way of committing fraud in financial statements?

- (a) Showing fictitious revenues in the books
- (b) Showing miscellaneous expenses
- (c) Concealing liabilities and expenses
- (d) Showing inappropriate timing differences
- (e) Showing improper disclosures or omissions.

< Answer >

30. Five R's sum up the business responsibilities of corporations towards their consumers. Which of the following is not one of these R's?

- (a) Right benefits
- (b) Right quality
- (c) Right quantity
- (d) Right place
- (e) Right price.

END OF SECTION A

-

7/22/2007

Suggested Answers with Examiner's Feedback

Page 6 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004

For Evaluation Only.

Section B : Caselets (50 Marks)

•

This section consists of questions with serial number 1 to 6.

•

Answer all questions.

•

Marks are indicated against each question.

•

Detailed explanations should form part of your answer.

•

Do not spend more than 110 - 120 minutes on Section B.

Caselet 1

Read the caselet carefully and answer the following questions:

1. With the growing interest in ethics, it is important to judge the ethical nature of organizations. Various theories provide a framework for judging the ethical nature of organizations. In this context, explain the theory of corporate moral excellence.

(8 marks)

2. Why has business ethics, which was marked by skepticism about two decades ago, become increasingly important for Corporates, today? Discuss.

(8 marks)

Business has changed dramatically in the past few decades. Advances in technology, increasing globalization, heightened competition, shifting demographics—these have all been documented and written about extensively. Far less notice has been given to another, more subtle, change—one that is just as remarkable as these more visible developments. The indication here is towards the attention being paid to values in many companies today.

In the early 1980s, skepticism about this subject was pervasive. Many people, in business and in academia, saw it as either trivial or altogether irrelevant. Some saw it as a joke. A few were even hostile. The whole enterprise, said critics, was misguided and based on a naive view of the business world. Indeed, many had learned in their college economics courses that the market is amoral. Back then, accepted wisdom held that —business ethics“ was a contradiction in terms. People joked that an MBA course on this topic would be the sh ortest course in the curriculum. The most generous view was that business ethics had something to do with corporate philanthropy; a topic that might interest executives after their companies became financially successful. But even then, it was only a frill—an indulgence for the wealthy or eccentric. Today, attitudes are different. Though far from universally embraced, ethics is increasingly viewed as an important corporate concern. What is our purpose? What do we believe in? What principles should guide our behavior? What do we owe one another and the people we deal with—our employees, our customers, our investors, our communities? Such classic questions of ethics are being taken seriously in many companies around the world, and not just by older executives in large, established firms.

The growing interest in values has manifested itself in a variety of ways as organizations realize that values guide the behavior of employees in attaining corporate moral excellence. In recent years, many managers have launched ethics programs, value initiatives and cultural change programs in their companies. Some have created corporate ethics offices or board-level ethics committees. Some have set up special task forces to address issues such as conflicts of interest, corruption, or electronic data privacy. Others have introduced educational programs to heighten ethical awareness and help employees integrate ethical considerations into their decision processes. Many have devoted time to defining or revising their company’s business principles, corporate values, or codes of conduct. Still others have carried out systematic surveys to profile their company’s values and chart their evolution over time.

A survey of US employees conducted in late 1999 and early 2000 found that ethics guidelines and training were widespread. About 79 percent of the respondents said their company had a set of written ethics guidelines, and 55 percent



said their company offered some type of ethics training, up from 33 percent in 1994. Among those employed by organizations with more than 500 members, the proportion was 68 percent. Another study of 24 companies in 22 countries found that corporate boards were becoming more active in setting their companies' ethical standards.

More companies have also undertaken efforts to strengthen their reputations or become more responsive to the needs and interests of their various constituencies. The list of initiatives seems endless. Among the most prominent have been initiatives on diversity, quality, customer service, health and safety, the environment, legal compliance, professionalism, corporate culture, stakeholder engagement, reputation management, corporate identity, cross-cultural management, work family balance, harassment, privacy, spirituality, corporate citizenship, cause-related marketing, supplier conduct, community involvement, and human rights. A few companies have even begun to track and report publicly on their

-

7/22/2007

Suggested Answers with Examiner's Feedback

Page 7 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004

For Evaluation Only.

performance in some of these areas.

To aid in these efforts, many companies have turned to consultants and advisors, whose numbers have increased

accordingly. Thirty or Forty years ago, such consultants were a rare breed and some of the consulting areas did not even

exist. Today, dozens of firms—perhaps hundreds, if we count law firms and numerous consultants specializing in specific

issue areas—offer companies expertise in handling these matters.

Caselet 2

Read the caselet carefully and answer the following questions:

< Answer >

3. Consumerism may be the bread and butter of marketers, but does this empower them to start converting kids to consumerism at the age of three or five? Justify.

(8 marks)

4. Children being increasingly targeted by marketers and there is a need for ethical marketing strategies. Discuss the ethical issues with respect to the "marketing mix (4Ps)".

(9 marks)

There is not much Atul Bendre, an engineer with Indian Airlines, can do when both his children demand the latest gizmos

and fancy foodstuff they get to see on television. —My 15-year-old daughter demanded a cell phone when she passed out

of school. I had to buy one for my 12-year-old son too, otherwise he would have got a complex," he

says. —It's difficult

for me to manage a household, but today parents are helpless. Our children are constantly comparing us with neighbors."

That sums up the dilemma of parents and the new-age marketing mantra. —Pester Power" is the new buzzword in

marketing circles and the country's business houses have realized that the child is the key to loosen his parents' purse

strings. No wonder then that a number of children's channels are waiting to take off in the next few months and they're sure

to find brands eager to advertise on them, which means good money.

Skeptical adults may wonder who's going to watch all these kid channels, but a survey by AC Nielsen, UTV's research

partner, showed that, the time spent in front of television goes up with age and apart from the programs, the children also

view a lot of the advertisements.

—Kids are better consumers of advertising," says Samit Sinha of Alchemist Brand Consultancy. —

Their minds are not as

cluttered as adult minds and so they can assimilate the message faster." That receptiveness translates into pester power.

Schools were considered to be a place where children could be prevented from the horde of advertisements. However, in

order to make their brands more visible, companies are targeting children through in-school promotions. Budget

shortfalls are forcing school boards to allow corporations access students in exchange for badly needed cash, computers

and educational materials.

A study conducted by Millward Brown and IMRB showed that kids influence decision-making on categories beyond

those just meant for kids. Marketers realize that if they can get tweens (children in the 8-14 age-group) inclined to their

brand, they could literally have consumers for life.

The research also showed that six out of 10 children pester an average of nine times even after their parents say "no" to a

particular request, and that 80 per cent of all brand purchases by parents with tweens are controlled by their children.

Pester Power research indicates that 30 per cent of fast-moving consumer goods (FMCG) purchase decisions are

influenced by kids, they also influence selection of brand for non-kids category like refrigerator, music system, car etc

—Kids in India have always had the pressure vote: by sheer dint of either child-like nagging or persuasion they can get

doting parents to get them what they want", says adman Suhel Seth. —The situation today is even more delicate because

today they can affect purchase with increased pocket money. Preteens are thus definitely having a greater say in the

whole buying decision-making and they should, since the borders of consumption are no longer age-restricted," he says.

A degree of advertising to kids may be inevitable. But children are under more pressure from marketing

messages these

days. They feel they genuinely have to have the latest products in order to talk on a like-to-like basis with their friends.

Parents reportedly feel they need to limit the amount of advertising exposure their children are faced with, so it doesn't

become an insurmountable goal for the child to have that particular item. Children nowadays are more demanding and

television provides them an opportunity to decide what they want.

There is focus upon advertising and children for two broad reasons. First, it is because children are children, and are

considered separately. Second, it is because children will become adults. Advertising therefore effects behavior during

childhood and continues to do so into adulthood. Advertising to children rarely receives a good press, and it remains a

controversial topic in the wider domain. Subsequently the issue has evolved to question whether there should be

advertising to children, and if so whether it should be regulated. Whilst there are compelling arguments on both sides,

advertising to children remains an economic necessity in need of adjustment and regulation.

Caselet 3

Read the caselet carefully and answer the following questions:

-

7/22/2007

Suggested Answers with Examiner's Feedback

Page 8 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004

For Evaluation Only.

5. With respect to the caselet, explain how is a good Chairman/CEO relationship beneficial for an organization? Also, explain the role of independent directors.  
(8 marks)

6. For effective corporate governance the chairman and CEO of an organization need to carry out their functions effectively. What are the functions of the Chairman and the CEO? Explain.  
(9 marks)

There is often confusion around the roles and responsibilities of company leaders. In particular, one very critical

relationship can suffer from the lack of clarity regarding duties and responsibilities and create friction and impaired

productivity - or worse - at the highest levels: Chairman and CEO.

Overall, the CEO leads internally, with the Chairman adding value in strategy and structure and ensuring that the

company is represented with integrity and influence to institutions, analysts and other stakeholders. The Chairman is

there to support the CEO, and both need regular and structured access to the executive and management team. Clearly,

the Chairman must also be prepared to step in if deemed appropriate.

It is absolutely critical that this Chairman/CEO interface is working and is seen to work (this is why there is a danger in the Chairman and CEO being one and the same). Otherwise this dysfunctionality will affect the board performance and the wider relationships between the executive and non-executive directors. Some of the more common reasons for the

relationship going wrong can include:

An imbalance in power

Critical issue of external representation

Critical issue of internal access

Lack of mature judgement and flexibility

Lack of ability to conflict and confront

Ideally, the CEO/Chairman relationship is complementary and dynamic, and both parties have clarity on their

involvement, accountability and remit.

Where there is a well developed relationship of mutual respect, there will be regular contact between the Chairman and

Chief Executive that allows for much greater reciprocal understanding and clarity of communication.

The role of the

Chief Executive is often isolated and a strong relationship with the Chairman also provides a — sounding board“ to test and

debate new thinking and to air concerns and worries that cannot be shared with others in the executive team.

For this to work effectively there must be a high degree of trust and confidence that the Chairman is not seeking to be a

surrogate Chief Executive.

CEO, Chairman and non-executive director roles each have a commonly-accepted set of duties and responsibilities.

Independent (or non-executive) directors are primarily valued for their objective judgement of corporate affairs. They

need knowledge of the technical and legal aspects of directorship and may have a specific skill that can be exercised from

time to time. But for the most part, their contribution will be rated by their overall knowledge and wisdom.

Judgement cannot be learned from reading a book or attending a course - neither can wisdom. The best course for

anyone wishing to become an independent director is to build on their own business experience and develop judgement

by exposing and testing this knowledge and experience in many different situations and learning from a wide cross

section of individuals.

An independent director legally bears the same responsibilities as the executive directors, but achieves effectiveness by

influencing decisions rather than controlling operations.

END OF SECTION B

Section C : Applied Theory (20 Marks)

•

This section consists of questions with serial number 7 - 8.

•

Answer all questions.

•  
Marks are indicated against each question.

•  
Do not spend more than 25 -30 minutes on section C.

-  
7/22/2007

Suggested Answers with Examiner's Feedback

Page 9 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004

For Evaluation Only.

7. In making decisions at the work place managers and employees often face ethical dilemmas due

to the consequences of the decisions. To resolve ethical dilemmas one has to prioritize values and avoid violation of these values. In this light, explain

i. The aspects in business to which the most common ethical dilemmas are related.

ii. How managers can resolve ethical dilemmas.

iii. How employees can resolve ethical dilemmas using the "Believe approach".

8. Businesses can succeed only if they maintain a good relationship with all their stakeholders.

These relationships can be strengthened if organizations fulfill their responsibilities towards their stakeholders. In this light, discuss the responsibilities of an organization towards its internal stakeholders.

END OF SECTION C

END OF QUESTION PAPER

-  
7/22/2007

Suggested Answers with Examiner's Feedback

Page 10 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004

For Evaluation Only.

Suggested Answers

Business Ethics and Corporate Governance (MB321) : July 2007

Section A : Basic Concepts

1. Answer: (c)

< TOP >

Reason: Concentration of effect implies that decisions which affect a large number of people require great attention.

2. Answer : (b)

< TOP >

Reason : Corporations can be referred to as moral persons due to the following reasons:

I. The ability to use moral reasons in decision-making.

II. The ability of the decision-making policy to control not only the explicit corporate acts but also structure the policies and rules.

Statement (III) is a reason due to which corporations can be referred to as a "person".

3. Answer : (a)

< TOP >

Reason : SHAPE, which stands for safety, health, attitude of management, people investment and environment, is a system established by Nike to assess new factories likely to be added to the Nike production group, that involves a preliminary inspection of the factories to determine whether they meet basic parameters for a clean healthy workplace

4. Answer: (a)

< TOP >

Reason: Liability for breach of statutory duties is not a liability that a director can be subjected to.

5. Answer : (e)

< TOP >

Reason : Ubiquity means that corporations are perpetual entities and can carry out their business activities anywhere in the world.

6. Answer : (b)

< TOP >

Reason : In the fourth stage of ethical consciousness i.e., profit maximizing in the long-term, there a shift in focus from "business" to "ethics."

7. Answer: (b)

< TOP >

Reason: A shadow director influences the decisions of the board without formally being present on the board. This type of directorship is seen in some family owned companies. They are however, responsible for the acts of the company along with the board of directors.

8. Answer: (d)

< TOP >

Reason: The following are characteristics of ethical decisions in business:

- 

Ethical decisions do not have a unique solution.

- 

Consequences of most unethical decisions are ambiguous in nature.

- 

Ethical decisions result from voluntary human actions and not from situations that are beyond one's control.

- 

Ethical/unethical decisions have wide ramifications.

Therefore, statement (II) and (III) are not true and option (d) is the answer

9. Answer: (b)

< TOP >

Reason: According to the conventionalist principle, workers believe that they are justified and organizations must customarily compensate more before a festival.

10. Answer: (e)

< TOP >

Reason: When a company adopts an anti-pollution environment policy, it is said to

be 'going green'. Green initiatives in business range from environmentally friendly technological innovation, green tourism, green community, environmental campaigning and environmental counseling. Options (a), (b), (c) and (d) are irrelevant.

11. Answer: (e)

< TOP >

-

7/22/2007

Suggested Answers with Examiner's Feedback

Page 11 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004

For Evaluation Only.

Reason: The following unethical practices are possible when management buyout is attempted:

I. Management may leak confidential information for its benefit during the buyout.

III. Management may attempt to bring down the share price and buyout the company at a cheaper price.

IV. Management may promote its own interests at the time of bidding.

Statement (II) as management may stall the buyout attempt in the hope that another more favorable company will try to take them over as pertains to the anti takeover device of sandbag.

12. Answer: (e)

< TOP >

Reason: Many countries entered China in the early 1990s to take advantage of cheap labor. Children were exploited and paid much less than adults.

Workers in prison were also used to produce these goods. Therefore option (e) is the correct answer.

13. Answer: (e)

< TOP >

Reason: When an employee is fired for an act of sabotage 'firing' can be considered just/fair.

14. Answer: (d)

< TOP >

Reason: A multinational company operating from a developed country should adopt those policies which are best of the host country and the home country. If the MNC just follows the standards of the host or the home country without selecting the best it cannot be called as an ethical company.

Answer (a) is incorrect because standards of the home country adopted to frame its policies may not always be the best standards.

Answer (b) is incorrect because standards of the host country adopted to frame its policies may not always be the best standards.

Answer (c) is incorrect because adopting uniform standards in all countries of operations may not be a criteria to judge the ethical nature of a company.

Answer (e) is incorrect because industry norms may not be always good for the stakeholders of the company.

15. Answer: (a)

< TOP >

Reason: Corporate social responsibility is referred to as the sense of obligation on the part of companies to build certain social criteria and manage the business activities by taking strategic decisions.

16. Answer: (b)

< TOP >

Reason: In the Anglo-American model of corporate governance, the creditors have a lien on the assets of the corporation. Options (a) and (c) are characteristics of the German model. Options (d) and (e) are characteristics of the Japanese model.

17. Answer : (c)

< TOP >

Reason: Ethical audit aims at checking the actions of a firm that are directed at maximizing long-term owner value and the extent of distributive justice.

18. Answer: (d)

< TOP >

Reason: The tasks that involve supporting and promoting human rights and allow freedom of speech etc., relate to political tasks.

19. Answer: (d)

< TOP >

Reason: With respect to business ethics, national and international frauds such as the Harshad Mehta scam, the Enron scam, the Arthur Andersen scam, and so on, point at the increasing gap between values and practices and also the lack of proper systems to curb such practices.

20. Answer: (e)

< TOP >

Reason: In a two-tier structure, the board is divided into the non-executive supervisory board and the executive management board. Hence option (e) is not a feature of the all executive board.

21. Answer: (b)

< TOP >

Reason: The statement (IV) "law is universal in nature" is true. The term universal

-

7/22/2007

Suggested Answers with Examiner's Feedback

Page 12 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004

For Evaluation Only.

implies being applicable to all. The requirement how to act or not to act in a given situation has to be universal, as law is applicable to every one who faces similar circumstances. Statement (I) is not true as some aspects of business are better regulated through custom than through law. Statement (II) is not true because not all legal actions are morally appropriate. Since the law uses moral terms like "good faith" law does employ moral judgements.

Therefore, statement (III) is also not true.

< TOP >



22. Answer: (a)

Reason: Takeovers are labeled as "hostile" because they are against the interests of stakeholders, or because they are damaging. Hostile takeovers are those that elicit opposition from the boards or employees of the target company.

Sandbag is the anti-takeover technique where the company stalls the attempts in the hope that another more favorable company will try to take over them

< TOP >

23. Answer: (e)

Reason: Leveraged buy-out involves financing from third parties through substantial borrowing by the private company.

24. Answer: (c)

< TOP >

Reason: "Purchase research" involves studying the present trends regarding the cost of various input materials and also that of the general economic conditions, industrial conditions and national and international developments that may be of importance to the organization.

Option (a) refers to the feedback given after the purchase of materials.

Option (b) refers to the study carried over before going for a purchase.

Option (d) refers to the requirements of the purchase. Option (e) refers to the schedule prepared for purchase of materials.

25. Answer: (e)

< TOP >

Reason: India is the second largest commercial energy consumer in non-OECD Asia. Therefore, option (e) is the answer.

26. Answer : (d)

< TOP >

Reason: Statements (I), (II) and (III) are approaches recommended by Lickona. Coordination is an approach recommended by Ferrel and Fraedrich.

27. Answer: (d)

< TOP >

Reason: Inappropriate use of research techniques is an issue/right pertaining to the research profession and not the client. Therefore, option (d) is the answer.

28. Answer : (d)

< TOP >

Reason : The focus on corporate social responsibility can be traced back to the industrial revolution.

29. Answer: (b)

< TOP >

Reason: "Showing miscellaneous expenses" is not a way of committing fraud in financial statements.

30. Answer: (a)

< TOP >

Reason: The five R's that sum up the business responsibilities of corporations towards their employees are right quality, right quantity, right place, right price and right time.

-

7/22/2007

1. The theory of corporate moral excellence focuses in two aspects of corporate culture & ethical behavior. Analysts believe that an organization culture has an impact on the behavior of its employees. Culture is based on the values of an organization. Corporate values can be classified as:

Espoused values of These refer to a company's statements, credos and code of ethics. They describe the organization's purpose and ethical perspective. Ethical perspectives are aimed at guiding the members who are responsible for leading and directing the organization. They are also intended to communicate to employees, customers, competitors and suppliers the type of behavior that is acceptable to the organization.

Values in practice of Espoused values may in many situations differ from values in practice. Take the case of an organization whose mission statement states that —The customer is the king— but in practice the organization pays little attention to customer service. Clearly, there is a difference between Espoused values and Values in practice. As a result of this difference between the values espoused and values practiced, level of trust (customer) will decline.

An organization can align its "Values in practice" to its "Espoused values" if it wishes to be regarded as an ethical organization. This congruence in the espoused values and the values in practice will improve employee morale and their conformity to the organization's code of ethics.

Based on the concept of corporate culture, Michael Hoffman proposed the theory of corporate moral excellence for judging the ethical nature of an organization. He classified corporate culture into three types.

- Basic values, attitudes and beliefs of the organization

- Organizational goals, policies, structure and strategies that are shaped by the values, attitudes and beliefs prevalent in the organization.

- Organizational procedures and processes

Later Hoffman was of the opinion that employees were responsible for developing organizational goals. They also play a major role in evaluating the corporate culture and implementing a change process if required. He further states that a morally excellent corporation tries to strike a healthy balance between the corporate culture and the autonomy of its employees. He concludes by stating that espoused values and value in practice should be ethically accepted.

Clutterbuck proposed another approach for achieving corporate moral excellence that is aimed at providing insights into an organization. He proposed the following approach.

- The need for an ethics auditor: organizations themselves conduct a self-assessment exercise to gauge the ethical nature of their actions and operations.

-

The need to disclose exceptions of employee behavior, a common practice followed in countries like Europe and US.

- The need to support the ethical behavior of the organization. Ethical behavior can be supported by creating an ethics committee and vesting a wide range of powers.

- The need for reward systems to encourage ethical behavior.

- If these approaches are incorporated in an organisation, the difference between espoused values and values in practice can be seen and enables to judge the unethical behavior and its responses.

2. It is undeniable that business ethics enjoys an importance, which it lacked until two < TOP >

decades ago. The reasons for this are numerous:

- First, the public demands it. Consumers will not easily tolerate any ethical misdeeds on the part of firms in the areas of the environment, human rights, and so forth. With growing corruption and scams, there is increased awareness amongst consumers and stakeholders about what organizations have to offer them.

- Second, it is now recognized that it is good business to be ethical. An ethical image for a company can build goodwill and loyalty among customers and clients, attracting them to the firm's products, thereby boosting sales and profits.

- Third, as globalization of the economy accelerates, business must become aware

-  
7/22/2007

Suggested Answers with Examiner's Feedback

Page 14 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004

For Evaluation Only.

of the ethical diversity of this world. It must learn the values of other cultures, how to apply them to its decisions, and how to combine them with its own values. In a world where transnational corporations and their affiliates account for a majority of the world's trade in goods and employ a huge number of people, corporations cannot afford to ignore the reality of multicultural ethics. Managerial effectiveness is expected to come through a strong base of ethics and values.

- Fourth, a lack of commitment to business ethics might provoke costly activism by the courts and consumer groups. This requires retrospection of organizational processes and functioning, in order to serve consumers better. And the best way to do this has been to inculcate ethics into corporate cultures and make it a means of corporate governance.

- Fifth, there is pressure on business to recognize its responsibilities to society.

Business ethics requires business to think about the impact of its decisions on people or stakeholders who are indirectly affected by these decisions. An ethical business attracts investors and keeps the company's share prices high, thereby protecting the business from takeover.

- Sixth, in a time of mass corporate downsizing, one of the most effective ways to appeal to the fragile loyalty of insecure employees is to promote an ethical culture, which gives employees a greater sense of control and appreciation. It makes employees want to stay with the business, reduce labor turnover and therefore increase productivity. It also attracts more employees wanting to work for the business, reduce recruitment costs and enable the company to get the most talented employees

- Finally, business itself demands ethical regulation. Business cannot afford a loss of trust or confidence, by investors or customers.

3. •

The issue of whether it's fair to target children as consumers is only beginning to < TOP >

be debated. Commercials are getting more and more sophisticated and children don't have the power to rationalize.

- Today's advertisements interfere with the traditional value system of our children. In our country, there are no standards as yet as far as advertising for children is concerned, making it all the more difficult.

- In-school promotions have evolved from just dumping products on kids to promotions that are relevant to them. There are educational and entertainment events designed to make children more informed about brands and choices. But criticism could be abounding as this could lead to "undesirable" pester-power.

- The result of aiming children is not only an epidemic of materialistic values among children, but also convincing them that they're inferior if they don't have an endless array of new products.

- Deeper still, what are some of the destructive messages contained in commercials? Personal hygiene products promise to not only cure bad breath and dandruff, but also guarantee that people who use these products will get the guy or girl of their dreams. And increasingly, people who buy all the right products are portrayed as hip and with-it, while those who don't are branded as hopeless dorks.

- While older children and adults understand the inherent bias of advertising, younger children do not and therefore tend to interpret commercial claims and appeals as accurate and truthful information and are easy targets for commercial persuasion.

- Kids' minds are vulnerable, impressionable, easy to influence. This exposes them to the temptations such as toys that are not educative, drinks that are nutritionally questionable, fast foods and snack foods that are laden with fat, promotional

material that promotes western teen values or encouraging them to pester their parents for high-end durables and automobiles.

- This is a critical concern because the most common products marketed to children are sugared cereals, candies, sweets, sodas and snack foods. Such advertising of unhealthy food products to young children contributes to poor nutritional habits that may last a lifetime and be a variable in the current epidemic of obesity among kids.

4. Marketing mix includes the 4P's i.e., product price, promotion and place, which are < TOP >

crucial for the marketing decision making process. The service marketing mix has

-

7/22/2007

Suggested Answers with Examiner's Feedback

Page 15 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004

For Evaluation Only.

7P's and in addition to the above includes people, physical evidence and process.

Ethical issues in marketing are related to strategies framed around these 7Ps.

Product: Since products are consumed by people to satisfy their needs, ethical considerations are involved in making harmless products available to customers.

Banning harmful products: Companies that produce products like cigarettes and Infant milk supplement are usually criticized for doing so.

The cigarette industry has come under fire from the government. Government of India (GoI) has announced that it would table a bill banning tobacco companies from advertising their products and sponsoring sports and cultural events. The main objective of such a ban is to discourage adolescents from consuming tobacco products and to arm the Government with powers to launch an anti-tobacco program. The issue involved interplay of ethical and commercial considerations. From an ethical standpoint, the government should discourage the habit, as it is responsible for the welfare of its citizens. From the commercial considerations tobacco industry was a major contributor to the State Exchequer, which was an extremely important factor, given the financial crunch that the government faced. Against this background, analysts questioned the correctness of the proposed bill. This decision seemed to have spurred up an intense debate not just over the ethical credence of government's moral policing but also over the credibility of the objective itself. Thus the tobacco industry faced an ethical dilemma when the government considered banning its products.

Updating products: The other ethical aspects in products include updating of consumer products. Many critics argue that updating products is unethical. In the process of manufacturing and new product development, products may then lose their basic characteristics. Also a section of consumers will be deprived from getting the original products of their choice. When the product is updated, service or spare parts for the earlier version may no longer be available. This creates dissatisfaction among customers and they may not be willing to buy a new product from that particular company.

To stimulate market growth companies must add new features without robbing the

product of its basic identity and provide information to its customers. This goes in accordance with the basic principles of marketing that lay importance on providing satisfaction to consumers and reaping profits at the same time.

**Products hazardous to environment:** Products that are hazardous to environment are not acceptable. CFC gas, which was earlier used in refrigerators, was considered to have a damaging effect on the environment. As a result many companies opted for an alternative substitute that was eco-friendly and at the same time also ensured profits for the company. Another example is the use of plastic bags. Considering the harmful effects of these bags on the environment, usage of plastic bags in the delivery of final products is being slowly reduced.

**Price:** Price is not always an important criterion for all buyers while making their purchase decision. The ethical marketing decision involved in price is not always visible. It means that the price of a product may vary depending upon the demand for the product. With consumer concern focused on healthy food they may be willing to pay more for products that they consider being healthy and important. Questions have been raised about whether it is ethical of a company to charge a higher price for products that are in great demand. Manufacturers are criticized for cashing in on the public's demand.

Most consumers however have very little idea of whether a product is fairly priced or not. When companies adopt practices of increasing the prices because of the consumer's ignorance then they are pricing unethically.

Sometimes large companies use price as a weapon to edge out smaller players from the market. When this happens there is reduced choice for the customers particularly in the lower income group.

When competition is between organizations of equal standing, there is little chance of pricing practices being unethical. But perfect competition is a rare phenomenon and companies usually do whatever they can to maximize their market share.

**Place:** Place includes the process of distributing the product and the type of delivery service that is offered to the final consumer. Unethical practices arise in 'place' when

-

7/22/2007

Suggested Answers with Examiner's Feedback

Page 16 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004

For Evaluation Only.

the marketer stops distribution at a particular place because of not yielding profits. Consumers who frequently purchase a particular product from that particular place are deprived of getting the product from the desired place.

The other ethical aspects involved in 'place' are the importance that the marketer lays on healthy product. Companies adopt stricter codes of safeguard to safeguard their reputation and sales in order to protect products from being contaminated.

Also sometimes due to the margins distributors get from manufacturers they may prefer to stock or push only certain kinds of products, or products of certain companies, whereas there may be better products available. Hence the consumer is deprived of access to products that are better than those currently being offered by the distributors and at the same time distributors' carry products solely based on margins and not the quality.

Promotion: Advertising is often accused of encouraging materialism and consumption, of stereotyping, of causing people to purchase items which they really do not need, of taking advantage of children, of manipulating people's behavior, and generally contributing to the downfall of the social system.

The consumer movements now are powerful enough to bring out changes in business practice and laws, which govern how businesses must operate.

Recently campaigners have demanded restrictions on advertising aimed at children, as they are worried about the negative influence of advertising on minors. By viewing advertisements children can be manipulated into pestering their parents to buy a product.

Also spreading, unfounded and damaging rumors about a competitor would be an unethical practice.

Advertising Standards Authority is an UK based authority that protects the honesty, legality and fairness of the advertisements. It has the authority to withdraw advertisements that are considered offensive, misleading and not in accordance with the law. It has certain published rules, which have to be followed by advertisers.

Unethical practices in advertisements, which focus on attacking the competitor's products, are not allowed.

In US there have been suggestions that a bill be introduced to empower America's Federal Trade Commission to stop unfair marketing aimed at children.

In the field of advertising it would be advisable for companies to follow self-regulations for ethical practices.

People, Physical Evidence and Process: These are the three service aspects of the marketing mix. An ethical organization lays down policies and procedures for the entire organization and encourages staff to follow the set guidelines. Negligence by the organization in looking into the needs of the employees leads to inefficient service, which affects customer trust and loyalty.

The right to individual privacy and calls for tougher legislation has made many companies aware of the ethical issues inherent in their information acquisition and the strategies being used for acquiring information. A customer will be willing to share his information depending on the relationship and course of action that a firm demonstrates to the customer. Firms must address themselves to the ethical issues raised by their customers, protect the privacy of the information and develop an understanding of how customer relationships are affected by norms such as trust and commitment.

## 5. Reasons for conflict of roles

< TOP >

- Lack of clarity regarding duties and responsibilities of the Chairman and the CEO leading to friction and impaired productivity.

- An imbalance in power

- Critical issue of external representation

- Critical issue of internal access

- Lack of mature judgement and flexibility

-

Lack of ability to conflict and confront  
Benefits for an organization

•  
It is absolutely critical that this Chairman/CEO interface is working and is seen

-

7/22/2007

Suggested Answers with Examiner's Feedback

Page 17 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004

For Evaluation Only.

to work. Otherwise this dysfunctionality will affect the board performance and the wider relationships between the executive and non-executive directors.

•  
Ideally, the CEO/Chairman relationship is complementary and dynamic, and both parties have clarity on their involvement, accountability and remit.

•  
Where there is a well developed relationship of mutual respect, there will be regular contact between the Chairman and Chief Executive that allows for much greater reciprocal understanding and clarity of communication. The role of the Chief Executive is often isolated and a strong relationship with the Chairman also provides a —sounding board“ to test and debate new thinking and to air concerns and worries that cannot be shared with others in the executive team.

•  
For this to work effectively there must be a high degree of trust and confidence that the Chairman is not seeking to be a surrogate Chief Executive.

Role of independent directors

•  
Independent (or non-executive) directors are primarily valued for their objective judgement of corporate affairs.

•  
They need knowledge of the technical and legal aspects of directorship and may have a specific skill that can be exercised from time to time.

•  
The best course for anyone wishing to become an independent director is to build on their own business experience and develop judgement by exposing and testing this knowledge and experience in many different situations and learning from a wide cross-section of individuals.

•  
An independent director legally bears the same responsibilities as the executive directors, but achieves effectiveness by influencing decisions rather than controlling operations.

6. Functions of the Chairman

< TOP >

•  
To set standards and ensure that policies and practices are in place.

•  
To ensure that the directors make good decisions.



- To make sure that directors are continuously upgraded to the levels required by investors to meet the current and future needs of the company.
  - To act decisively in times of crisis
  - To act as a representative of the company.
- Functions of the CEO
- To assist the executive directors in formulating strategic proposals that have to be endorsed by the board.
  - To provide leadership and direction to all his executive directors.
  - To develop a plan for implementing the strategy formulated by the board and/or management, and to convince the non-executive directors that the strategy can work.
  - To act as representative of the executive directors when interacting with the non-executive directors.
  - To present the company to major investors, the media and government.
  - To be a source of inspiration, leadership and direction to the employees, customers and suppliers.
  - To be able to identify the situations that require intervention.

#### Section C: Applied Theory

7. i. The most common ethical dilemmas in business relate to:

< TOP >

Power, Authority and Trust: Every manager enjoys a certain degree of power and authority, which is conferred on him by his position in the organization. He is expected to show equal care and concern for all individuals while performing his duties. But many managers end up showing special consideration to their kith and kin. The ethical dilemma is should a manager favor selection of his relatives for vacancy? Should a purchase manager award a contract to a nephew who badly needs business? An individual, who has the power to take decisions in an organization, should make sure his decisions are seen as being fair and impartial.

-

7/22/2007

Suggested Answers with Examiner's Feedback

Page 18 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004

For Evaluation Only.

Secrecy, Confidentiality and Loyalty: At times an organization hides certain information relating to the business from its employees, creditors, suppliers or

even customers. In certain situations, organizations need to reveal certain information. But the point is - who is entitled to know the information?

In many professions, maintaining confidentiality is essential for building trust among clients. Doctors, lawyers and consultants must make sure that whatever information is provided by their clients is kept strictly confidential.

In business too, certain types of information have to be kept confidential. The organization has a right to guard this information, as it is the key for the survival. The information could be related to client, industrial processes, management structures, procedures etc, which might plausibly be intellectual property of the organization rather than of individual employees and not in the interest of the public.

ii. How managers can resolve dilemmas

A manager has to perform multiple roles such as that of a spokesperson, a planner, a leader etc. Managers generally adopt different ethical standards when carrying different tasks. They justify their behavior in resolving the dilemma based on various rationalizations. The term 'rationalization' refers to the fundamental reasons that lie behind the manager's unethical behavior. A manager uses four major rationalizations:

- Their actions are within reasonable ethical and legal limits and hence are not illegal or unethical.

- Their actions are aimed at the individuals or corporations best interest.

- Their actions will not be disclosed or published and hence there is no danger to him or his company.

- He will be protected by his company.

Using rationalization approach does not (completely) solve the problem.

Instead of rationalization managers need to develop the skill and experience for coping with ethical dilemma.

iii. How employees can resolve dilemmas

The step-by-step process known as Believe is one way of resolving ethical dilemma. Believe is an acronym for background, estimate, list, impact, eliminate, value, and evaluate.

Background: State the background of the case, including context, origin and any other important details. What is the history of the problem? Who is involved? Is there any missing information that is needed to solve the problem?

Estimate: Make an initial estimation of the ethical dilemma present. What are the core issues? What is the main ethical conflict?

List: List the possible solutions to the problem.

Impact: Consider the likely impact of each of the possible solutions. What are the likely outcomes of each solution? Whom will the solutions affect? How will each solution harm or help the people concerned?

Eliminate: Eliminate the totally unacceptable solution that is those that will significantly harm people.

Values: With the remaining possible solutions, assess which values of the company are upheld or violated by each solution. What are the significant values and principles that are the state organizational values?

Evaluate: Evaluate the solutions considering their likely impact and the values that will be upheld or violated by these solutions. The evaluator must ask himself the following questions: Why is one solution better or worse than another? Is there another solution that hasn't been considered?

Using this approach, an organization can train its employees to incorporate a set of key values into their decision-making. These approaches also enable the organization to achieve a uniform approach to problem solving.

8. Internal stakeholders of an organization include:

< TOP >

i. Shareholders: Shareholders have a primary stake in the business. They are considered to be the "owners" of the corporation. Most corporations owe their primary responsibility to their shareholders.

Most organizations aim at maximizing shareholder value. To achieve this,

-

7/22/2007

Suggested Answers with Examiner's Feedback

Page 19 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004

For Evaluation Only.

Organizations lay more emphasis on the meaning of ownership. Ownership implies shareholders' rights and responsibilities with respect to specific property (i.e. stake).

Shareholders are considered 'members' of the company who help to achieve the company's goals by investing in the business. They are entitled to a share in the profits of the company. This share of the profit is given to the shareholders in return for their investments in the form of shares. Some times, in their efforts to fulfill the corporate objectives like cost minimization and profit maximization, corporations tend to disregard the interest of their shareholders. Of course, while protecting the interest of its shareholders the company should not overlook the interest of other stakeholders in the group.

Shareholders' responsibilities: Shareholders are the true proprietors of a company. As owners of the company they have certain obligations towards the organization, which include:

- 

Maintaining good relationships with top management.

- 

Exercising their voting rights

- 

Similarly, the organization must honor the trust of the shareholders.

Therefore, the responsibilities of the organization towards the shareholders are:

- 

Managing the company efficiently in order to secure a fair and competitive return on the owners' investment

- 

Disclosing relevant information to shareholders, subject only to legal requirements and competitive constraints

- Conserving, protecting, and increasing the shareholders' assets.

- Respecting the shareholders requests, suggestions, complaints, and formal resolutions.

ii Employees: A legal contract of employment governs the relationship between the organisation and the employee. This relationship is considered to be important by society, because employees contribute their efforts and time towards the development of the organisation, which in turn improves society. The employment contract places certain responsibilities towards their employees. In return for their work employees expect wages, benefits and security. And it is the responsibility of the organisation to meet their expectations.

Responsibilities of employees and employers: Both businesses and the employees have certain responsibilities towards each other.

Some specific responsibilities of organizations towards their employees are:

- To provide adequate compensation.

- To provide working conditions that respect each employee's health and dignity

- To be honest in communications with employees and open in sharing information.

- To listen to and, where possible, act on employee suggestions, ideas, requests, and complaints

- To engage in negotiations when conflict arises

- To avoid discriminatory practices and guarantee equal treatment and opportunity regardless of gender, age, race, and religion

- To protect employees from avoidable injury and illness in the workplace

- To encourage and assist employees in developing skills and knowledge that are required for accomplishing the task

iii Management: Any decision taken by the management has an impact on the stakeholders. On the one hand, management's stakes are like that of employees, with some kind of explicit or implicit employment contract. But, on the other hand, Management is entrusted with the duty of safeguarding the welfare of the corporation. In short, the role of the management involves in balancing the multiple claims of different stakeholders. The owners want higher financial returns; the customers want more money spent on research and development; the employees

-  
7/22/2007

Suggested Answers with Examiner's Feedback

Page 20 of 20

Edited by Foxit PDF Editor

Copyright (c) by Foxit Software Company, 2004

For Evaluation Only.

want higher wages and better benefits; while the local community expects environment friendly equipment.