

Jagan Institute of Management Studies
End-Term Examination, December, 2016 – January, 2017
Trimester V – PGDM (IB) 2015-17

Business Ethics & Corporate Governance
ET_IB_BE&CG_2912

Time: 3 Hrs.

M. Marks: 70

INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q7 which are compulsory.

- Q 1** Comment on any **THREE** of the following:
- a) Individual Attitude and Personal Ethics.
 - b) Utilitarian Ethics.
 - c) Ethics and Company Philosophy.
 - d) Unfair Competition.
 - e) Insider Trading **15**
- Q 2** List five factors that shape our personalities in terms of the ethics that we follow. Taking any two of these factors, give an illustration of how they contribute to the formation of our ethical beliefs and practices. **12**
- Q 3** Explain giving two examples how transformational leadership practiced by top management can achieve ethical transformation in organizations. **12**
- Q 4** “A managing director promotes A superseding B even though B is professionally more competent and loyal to the company. A has better contacts with foreign collaborators and this is perceived as being useful to the company strategically.” Comment, giving reasons for your answer. **12**
- Q 5** Rajesh Menon was in his first job in a company which prided itself on its ethical standards. He had been inducted into this philosophy. At the end of the year, he realized that he could attain his sales target only if he bribed the Purchase Manager of a prospective client organization. He decided to give the bribe from his personal money since he thought he might lose his job if he failed to meet his sales target. Argue this situation for as well as against his decision to highlight the dilemma he was in. **12**
- Q 6** Briefly describe the concept of CSR and give two examples of CSR activities which can genuinely benefit society giving reasons for your answer. Give your opinion on the legal provision of compulsorily spending 2% of the profit of companies for CSR. **12**

- Q 7** Study the following case study carefully and answer the questions that follow :

VOLKSWAGEN DEFEAT DEVICE SCANDAL

On January 4, 2016 the United States Department of Justice filed a civil case on behalf of the United States Environment Protection Agency (EPA) against Volkswagen AG (VW) for violating the Clean Air Act (CAA). The complaint alleged that VW had installed illegal defeat devices in about 600,000 of its diesel vehicles in the US which impaired EPA's emission test system and the vehicles caused emissions that exceeded EPA's standards, resulting in air pollution. The scandal dragged VW into the worst crisis it had faced in its 78 year old history. It not only brought down VW's stock price drastically but also raised the possibility of the automobile major paying out billions of dollars in fines and penalties. The scandal cast a shadow on the reputation of the company, known for selling some of the world's most luxurious and best-selling brands. VW saw a massive drop in sales post the scandal. Known for its engineering marvels and some of the best engines, VW suddenly saw customers expressing doubts on its core competence. The brand value of its cars and the company itself suffered very badly.

Questions:

- a) What may have been the reasons in your view for the failure of corporate governance systems in Volkswagen?
- b) Discuss the ramifications of the scandal on regulations in different parts of the world, especially for Europe as a whole and Germany in particular.
- c) Present your views and arguments about the dark side of company managements where their executives try to achieve their goal of creating wealth with little or no concern for the environment thereby badly affecting the lives of all living species including human beings.
- d) Debate the reasons for the failure of external systems in recognizing problems and their effects on environment and health.
- e) Analyse the role of ethics in a growing competitive business environment.

19
