



## KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed to be University)

(Established under section 3 of UGC Act 1956)

Coimbatore-641021

### DEPARTMENT OF MANAGEMENT

Subject: **BUSINESS ETHICS, CORPORATE GOVERNANCE & SOCIAL RESPONSIBILITY**

Semester: **III**

Subject Code: **17MBAP302**

**Class- II MBA**

#### SCOPE

To protect the long term interest of the shareholders and create policies that adopts bylaws. To reduce damages, deaths, personal suffering and to reduce mortality and morbidity. To sustain the equilibrium between society and human beings.

#### OBJECTIVES

To develop knowledge and understanding about the theoretical perspectives and frameworks of corporate governance, ethical, environmental and social dimensions. To focus on various natural and manmade hazards and its preparedness measures to come out of such calamities.

#### UNIT I

Business Ethics - Nature, Characteristics and Needs, Ethical Practices in Management - Indian Values and Ethics - Respect for Elders, Hierarchy and Status, Need for Security, Non - Violence, Cooperation, Simple Living high Thinking, Rights and Duties, Ethics in Worklife, Attitudes and Beliefs.

#### UNIT II

Introduction – Meaning and overview of corporate governance, corporate board - Attributes, duties, responsibilities, liabilities, shareholders – Rights, responsibilities of share holders, minority share holders protection. Ethical aspects of corporate governance.

#### UNIT III

Corporate Governance concepts and theories - Stewardship theory, Agency theory, Stakeholder theory. Corporate Governance and performance, issues in corporate governance. Role of the regulatory framework - Legislation - Financial reporting.

#### UNIT IV

Corporate Social Responsibility-Meaning - Definition and Scope - Operationalizing Corporate Social Responsibility for sustainable development - Responsibility of various stakeholders, perspectives and initiatives, Environment and Ecology, Health and well being of society.

#### UNIT V

Emerging Areas and Trends in Corporate Social Responsibility - Business, Social, Environmental and Regulatory - Globalization and Corporate Governance - Case Study in CSR and Corporate Governance

**SUGGESTED READINGS:**

**TEXT BOOKS**

1. Baxi, C.V. and Ajit Prasad. (2009). Corporate Social Responsibility. New Delhi: Excel Books..

**REFERENCES**

- 1.Mathur, U.C. (2005). Corporate Governance and Business Ethics. New Delhi: Macmillan.
2. Fred Weston, J. (2007). Takeovers, Restructuring and Corporate Governance. New Delhi: Pearson Education.
3. Singh, S. (2005). Corporate Governance. New Delhi: Excel books.
4. Swami Parthasarathy. (2007). Corporate Governance. Biztantra.
5. Christine, A. Mallin. (2013). Corporate Governance. (2 nd edition). Oxford University Press.
6. Subhash Chandra Das. (2012). Corporate Governance in India. New Delhi: Prentice Hall of India.



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### Department of Management

Name: **GOWRISHANKKAR.V**

Department: **Management**

Semester: **III**

Subject Code: **(17MBAP302)**

Year: **2017-19 Batch**

Subject: ***BUSINESS ETHICS, CORPORATE GOVERNANCE & SOCIAL RESPONSIBILITY - Lesson Plan***

<b>UNIT 1</b>			
S.No	Lecture Hours	Contents	References
1	1	Business Ethics	T1- 2-3
		Nature- Characteristics and Needs	R1-13-15
2	1	Ethical Practices in Management	R1-18-21
		Indian Values and Ethics	R2-26-29
3	1	Respect for Elders,	R3-15-19
		Hierarchy and status	R3-26-31
4	1	Need for Security, Non-Violence	R4-11-17
5	1	Cooperation- Simple Living high thinking	R6-18-24
6	1	Rights and Duties- Ethics in work life	R6- 26-31
7	1	Attitudes and Beliefs	R4- 34-37
8	1	Case study	
9	1	Recapitulation and Discussion on important questions	
<b>Total Number of hours planned for Unit 1</b>			<b>9</b>
<b>UNIT 2</b>			
1	1	Introduction- meaning and overview of Corporate Governance	R1-36,37,38
2	1	Corporate board- attributes, duties	R1-53,54
3	1	Responsibilities- liabilities and shareholders	T1-31-34
4	1	Rights – responsibilities of shareholders	R4-41-45

5	1	Minority share holders protection	R4-49-52
6	1	Ethical respects of Corporate Governance	R2-25-29
7	1	Case study	R2-40-43
8	1	Recapitulation and Discussion on important questions	
<b>Total Number of hours planned for Unit 2</b>			<b>8</b>
<b>UNIT 3</b>			
1	1	History of corporate governance	T1-78-80
2	1	Sources in corporate governance,	T1-86,87,88
		corporate governance concepts and theories	R3-94-97
3	1	Stewardship theory and Agency theory	R3-99-102
4	1	Corporate governance and performance	R1-112-115
5	1	Role of regulatory framework,	R4-126-130
		Legislation	
6	1	Financial Reporting	
7	1	Case Study	
8	1	Recapitulation and Discussion on important questions	
<b>Total Number of hours planned for Unit 3</b>			<b>8</b>
<b>UNIT 4</b>			
1	1	Corporate Social Responsibilities	R4-143-144
2	1	Meaning- Definition and Scope	R4-151-153
		Operational Zing	T1-89-93
3	1	Corporate Social Responsibilities for Sustainable development	T1-261-263
4	1	Responsibility of various Stakeholders	R2-53-55
5	1	Perspective and initiatives	R2-58-59
		Environment and Ecology	
6	1	Health and well being	
7	1	Recapitulation and Discussion on important questions	
<b>Total Number of hours planned for Unit 4</b>			<b>7</b>

<b>UNIT 5</b>			
1	1	Emerging Areas and Trends in Corporate Social Responsibility	T1-81-87
2	1	Business, Social- Environmental and Regulatory	R5-102-111
3	1	Globalization and Corporate Governance	R5-119-124
4	1	Case study in CSR and corporate governance	R6-130-134
5	1	Recapitulation and Discussion on important questions	
6	1	Revision of previous year question paper	
7	1	Revision of previous year question paper	
8	1	Revision of previous year question paper	
		<b>Total Number of hours planned for Unit</b>	8
<b>Total Number of hours allotted for all five units</b>			<b>48</b>

**SUGGESTED READINGS:****Text Book :**

T1. Baxi, C.V. (2007). Corporate Governance. New Delhi: Excel Books.

**References :**

R1. Mathur, U.C. (2005). Corporate Governance & Business Ethics. New Delhi: Macmillan.

R2. Fred Weston, J. (2007). Takeovers, Restructuring & Corporate Governance. New Delhi : Pearson Education.

R3. Singh, S. (2005). Corporate Governance. New Delhi: Excel Books.

R4. Swami Parthasarathy. (2007). Corporate Governance. Biztantra.

R5. Christine, A. Mallin.(2008). Corporate Governance.(2<sup>nd</sup> edition). Oxford.

R6. Subhash Chandra Das. (2008). Corporate Governance in India. New Delhi: PHI

**UNIT-I**

**K A H E**

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	<b>Questions</b>	<b>Option A</b>	<b>Option B</b>	<b>Option C</b>	<b>Option D</b>	<b>Answer</b>
1	The three major types of ethical issues include except?	Communication issues	Systematic issues	Corporate issues	Individual issues	Communication issues
2	Which of the following refers to the reasoning process by which human behaviors, institutions, or policies are judged to be in accordance or notwith moral standards?	Moral reasoning	Moral duty	Moral justice	Moral issues	Moral reasoning
3	Which kind of theory Utilitarianism has?	Ethical	Conceptual	Behavioral	Reasonable	Ethical
4	The contributive principle of distributive justice measured the contributions in terms of:	Economic quality	Minimum standard of living	Work effort	Opportunity	Work effort
5	An acquired disposition that is a valuable part of a morally good person, exhibited in the person's habitual behavior is known as?	Moral responsibility	Moral ethics	Moral virtue	Moral duty	Moral virtue
6	Which one of the following is not considered as category of issues involving justice?	Distributive justice	Retributive justice	Compulsory justice	Compensatory justice	Compulsory justice
7	A written statement of policies and principles that guides the behaviour of all employees is called	code of ethics	word of ethics	ethical dilemma	None of the above	code of ethics
8	An empirical inquiry into the actual rules or standards of a particular group is	normative justice	descriptive justice	interpersonal justice	word of ethics	descriptive justice
9	The HR policy which is based on the philosophy of the utmost good for the greatest number of people is covered under the	utilitarian approach	approach based on rights	approach based on justice	approach based on justice	utilitarian approach
10	Which of the following is not	to create an ethical	to evaluate the	to improve the	to enhance the	to enhance the

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	usually the objective of a code of ethics?	workplace	ethical components of the proposed actions of the employees	public image of the company	profits of the business continuously	profits of the business continuously
11	Which of the following is not a core principle of the Society for Human Resource Management's Code of Ethics?	professional responsibility	fairness and justice	professional development	None of the above	None of the above
12	Which of the following factors shapes the ethical behaviour of the members of an organization?	The supervisor's behaviour	organizational culture	code of ethics	All of the above	All of the above
13	Business ethics deals primarily with	social responsibility.	the pricing of products and services.	moral obligation.	being unfair to the competition.	moral obligation.
14	Ethics are important because	suppliers prefer to deal with ethical companies.	customers prefer to deal with ethical companies.	employees prefer to deal with ethical companies.	all of the choices.	all of the choices.
15	According to the concept of moral intensity, a worker is most likely to behave ethically and legally when	a manager observes his or her behavior closely.	the worker has intense morals.	the consequences of the act are minor.	the consequences of the act are substantial.	the consequences of the act are substantial.
16	Pierre takes a utilitarian viewpoint of ethics. He will therefore judge a business decision to be ethical so long as	more good than bad results from the decision.	everybody is treated fairly.	certain rights are not violated.	he has good character and integrity.	more good than bad results from the decision.
17	Small-business owner Jason is thinking about giving a potential customer an expense paid vacation to Las Vegas for her and her husband. When asked if he is being ethical, Jason replies, "Look	focus on the rights of individuals	pragmatism	utilitarianism (consequences)	focus on integrity (virtue ethics)	pragmatism

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	whatever works, works." Which ethical principle is Jason most likely using?					
18	Bonita is an ethically centered production manager so she will ship a product	only after all its problems have been eliminated.	only if the shipping people use packing material that does not harm the environment.	only after an ethics committee has approved it.	as quickly as she can to meet the customer's schedule.	only after all its problems have been eliminated.
19	Benefits derived from social responsibility include	enhanced organizational efficiency	producing better products	attracting people who want to work for the firm	both a & c	both a & c
20	According to concept of moral laxity, workers will often behave unethically because	they have planned to be unethical.	they come from dysfunctional families.	other issues seem more important at the time.	management pressures them into unethical behavior.	other issues seem more important at the time.
21	Unethical behavior is often triggered by	pressure from higher management to achieve goals.	an organizational atmosphere that condones such behavior.	both a & b	a system of checks and balances.	both a & b
22	Building a sustainable environment includes	developing a green supply chain	omitting hazardous emissions	both a & b	writing a code of ethics	both a & b
23	Fairness in employment practices centers on	hiring no family members or friends.	giving people equal rewards for accomplishing the same tasks.	obeying equal employment opportunity legislation.	avoiding conflicts of interest.	giving people equal rewards for accomplishing the same tasks.
24	Which one of the following is not recommended as a method for a company to protect itself against sexual harassment charges?	Develop a zero-tolerance policy on harassment and communicate it to employees.	Retaliate swiftly against employees who bring forth charges of harassment.	Give swift and sure punishment to harassers.	Train managers at all levels on sexual harassment issues.	Retaliate swiftly against employees who bring forth charges of

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						harassment.
25	Team leader Gary is scheduled to prepare a performance of Lisa, a team member who also happens to be his wife's closest friend. The ethical temptation Gary faces is	sexual harassment.	misuse of corporate resources.	dealing with confidential information.	conflict of interest.	conflict of interest.
26	Kate, the owner of a small telecommunications firm gives gifts of stock in her company to telephone company managers who purchase her equipment. Kate is giving in to the ethical temptation of	kickbacks.	misuse of corporate resources.	sexual harassment.	treating people unfairly.	kickbacks.
27	The ethical dilemma of choosing between two rights refers to	choosing between the lesser of two evils.	deciding which of two employee rights is the most important.	deciding to offer a bribe or lose out on an important opportunity.	choosing between the two types of sexual harassment.	choosing between the lesser of two evils.
28	The stakeholder view of social responsibility states that organizations must respond to the needs of	employees and customers.	shareholders and owners.	all interested parties.	all those who might sue the organization.	all interested parties.
29	The word 'Ethics' is derived from Greek word .....	Ethios	Ethikos	Ethoes	None of these	Ethikos
30	Ethics is a .....	Pure science	Normative Science	Inexact Science	exact Science	Normative Science
31	Ethics means .....	Character	Manner	Custom	All of these	All of these
32	..... deals with the right actions of individuals	Sincerity	Rules	Ethics	Policies	Ethics
33	Ethics is a .....	Social science	Science of conduct	Normative Science	All of these	All of these
34	The word 'moral' is derived from	Moralis	Morilitic	Monatic	Moral	Moralis

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	the Latin word .....					
35	..... Culture exists in fast paced high risk organizations	Fortress	Club	Baseball	Academy	Baseball
36	..... culture can be seen in military	Fortress	Club	Baseball	Academy	Club
37	The traits or qualities that are considered as valuable are known as.....	Culture	Values	Ethics	Principles	Values
38	The term 'value' is derived from the French word .....	Valoir	Valas	Velois	Values	Valoir
39	..... represent an individual's highest priorities and deeply held driving forces.	Values	Principles	Culture	Ethics	Values
40	What is business ethics?	The study of business situations, activities, and decisions where issues of right and wrong are addressed	Defined as decisions organisations make on issues that could be considered right or wrong	Ethics that can be applied to an organisation's practises	Ethical processes businesses use in order to achieve a good ethical standard	The study of business situations, activities, and decisions where issues of right and wrong are addressed
41	..... refers to certain norms governing the conduct of workers involved in a work situation	Team Work	Work Ethos	Work Group	Work Management	Work Ethos
42	..... seeks to determine norms and values	Culture	Normative science	Value	Ethics	Normative science
43	..... is primarily concerned with the relationship of business goals and techniques to specifically human ends	Business ethics	Code of conduct	Work Management	Principles	Business ethics

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44	.....are the principles, which govern and guide business people to perform business functions	Business ethics	Code of conduct	Work Management	Principles	Business ethics
45	.....is the guiding principle for decision making in an economics based view of management	Profit maximization	Wealth Maximisation	Value maximization	Wealth Maximisation	Profit maximization
46	A .....is a written document, inspirational in contents and specify clearly what is acceptable or unacceptable behavior at workplace and beyond, when the employees represent their organizations outside.	Business ethics	Code of conduct	Work Management	Principles	Business ethics
47	.....specifies methods for reporting violations, disciplinary action for violations and the structure of the due process to be followed	Business ethics	Code of conduct	Work Management	Principles	Code of conduct
48	Which among the following are advantages of managing business ethics in the workplace?	Cultivate strong team work and productivity	Avoid criminal acts	Lower fines	All of these	All of these
49	A .....is a buzz word to employees to observe ethical norms and forms the basis for rules of conduct	Code of ethics	Business Ethics	Principles	Value	Code of ethics
50	.....would be charged with implementing and administering an ethical management programme.	Top management	Ethics management committee	Middle management	A both a & c	Ethics management committee
51	.....is a new framework for decisions making on all levels	Holistic Management	Ethics management	Code of conduct	Middle management	Holistic Management

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	that is based on resource management of the whole					
52	Ethics & Law overlap. This is called...	Yellow area	White area	Black area	Grey area	Grey area
53	_____ is the philosophical study of moral values and rules.	Morality	Ethics	Business Ethics	Principles	Ethics
54	A .....will determine its reputation. Good business ethics are essential for the long-term success of an organization	personal ethics	company's ethics	corporate ethics	Business ethics	company's ethics
55	..... are ethics that refer to the moral rules and regulations governing the business world	personal ethics	company's ethics	corporate ethics	Business ethics	Business ethics
56	The common denominator in both personal ethics and business values is...	responsibility	integrity	consistency	None of these	integrity
57	Business ethics also known as.....	personal ethics	corporate ethics	environment ethics	company's ethics	corporate ethics
58	A teleological approach to business ethics proposes that the guiding principle should be:	Practice	Power	People	Purpose	Purpose
59	Marketing communications activities can be deemed 'ethically neutral', meaning that it depends on:	Stated business aims	Available finance	How they are carried out	Legal guidelines	How they are carried out
60	Ethical behavior is a matter of	Juggling standards and business needs	Acting on a considered judgement	Obeying the rules	business needs	Acting on a considered judgement

**UNIT-I-Introduction**

**SYLLABUS**

**Introduction Business Ethics** - Nature, Characteristics and Needs, Ethical Practices in Management - Indian Values and Ethics - Respect for Elders, Hierarchy and Status, Need for Security, Non - Violence, Cooperation, Simple Living high Thinking, Rights and Duties, Ethics in Worklife, Attitudes and Beliefs.

**INTRODUCTION BUSINESS ETHICS**

There is no need to start with any particular name or action regarding unethical businesses and practices. Everywhere we see practice of bribery, commission, offering low quality against promises of high or genuine quality, use of child labour in dhabas and so on. The whole society is running for excessive profit making without understanding the impact of these decisions. It will lead us to a point where wealth will be there but peace will not be there. We need to check this uncontrolled growth like growth of cancer cells for a sustained prosperous society. Ethical behaviour is the only way for this problem.

Ethics are principles or standards of human conduct, sometimes called morals, and, by extension, the study of such principles is sometimes called moral philosophy. In the west, ethics is regarded as a normative science and a branch of philosophy because it is concerned with the norms of human conduct as distinguished from the formal sciences such as mathematics and logic, and the empirical sciences such as chemistry and physics.

Business ethics is ethics applied to the business environment in order to study the moral and ethical issues related to it. Although business ethics can be both a normative and descriptive discipline, when it comes to corporate practice, it is essentially a normative science.

**Meaning of the 'Term Ethics'**

The famous missionary physician and humanitarian Albert Schweitzer defined ethics as "our concern for good behavior. We feel and obligation to consider not only our own personal well-being, but also that of other human beings" this meaning is similar to the precept of the Golden Rule: Do unto others as you would have them do unto you.

The term 'ethics' originates from the Greek word Ethos meaning human character and it refers to the philosophical science that deals with the rightness and wrongness of human actions. From the very beginning, clearly from the time of Plato and Aristotle, ethics- the most general term has concerned itself with the human 'mechanism' of moral being or morality: the faculties of the human soul and the needs, passions, and desires of the human mind and body. According to the International Encyclopedia of Ethics, 'Ethics is the name given to that most general study of the rightness and wrongness of human actions, including not only the determination of whether particular acts are morally permissible but also the derivation of those theories by which such a determination may be made, as well as an analysis of the meaning of the language that is peculiar to such determination and derivation'

In relation to ethics, the International Encyclopedia also defines 'morality' which originates from the Latin word, Mores, meaning traditions or folkways and refers to personally held ethical beliefs, theories of obligations, and the social elements that reinforce ethical decisions. The concept of morality is present implicitly in ancient thought or early ethical thought, the term 'moralities' appears in the fourth century C.E. in the writings of St. Ambrose. Morality encompasses a wide variety the sphere of morality, Ethical theories that lack a primary notion of obligation or duty, concern for the non instrumental good of other persons.

Morality recognizes the obligations that humans have in each other as a primary fact of ethical theories. The notion of the human person become very central in moral Business Ethics & Corporate : 2 Introduction to Business Ethics NOTES theory, it also accounts for the choice between good and there is the social aspect to human moral adherence ( the structures of religion, law, society, etc are often examined from the perspective of the roles they play in promoting morality).

### **NATURE OF BUSINESS ETHICS**

- Code of conduct: Business ethics is a code of conduct. It tells what to do and what not to do for the welfare of the society. All businessmen must follow this code of conduct.
- Based on moral and social values: Business ethics is based on moral and social values. It contains moral and social principles (rules) for doing business. This includes self-control, consumer protection and welfare, service to society, fair treatment to social groups, not to exploit others, etc.

- Gives protection to social groups: Business ethics give protection to different social groups such as consumers, employees, small businessmen, government, shareholders, creditors, etc.
- Provides basic framework: Business ethics provide a basic framework for doing business. It gives the social cultural, economic, legal and other limits of business. Business must be conducted within these limits.
- Voluntary: Business ethics must be voluntary. The businessmen must accept business ethics on their own. Business ethics must be like self-discipline. It must not be enforced by law.
- Requires education and guidance: Businessmen must be given proper education and guidance before introducing business ethics. The businessmen must be motivated to use business ethics. They must be informed about the advantages of using business ethics. Trade Associations and Chambers of Commerce must also play an active role in this matter.
- Relative Term: Business ethics is a relative term. That is, it changes from one business to another. It also changes from one country to another. What is considered as good in one country may be taboo in another country.
- New concept: Business ethics is a newer concept. It is strictly followed only in developed countries. It is not followed properly in poor and developing countries.

### **CHARACTERISTICS OF BUSINESS ETHICS**

**(i) A Discipline:**

Business ethics are the guiding principles of business function. It is the knowledge through which human behavior is learnt in a business situation.

**(ii) Ancient Concept:**

Business ethics is an ancient concept. It has its origin with the development of human civilization.

**(iii) Personal Dignity:**

The principles of ethics develop the personal dignity. Many of the problems of ethics arise due to not giving dignity to individual. All the business decisions should be aimed by giving dignity to the customers, employees, distributors, shareholders and creditors, etc. otherwise they develop in immorality in the business conducts.

(iv) Related to Human Aspect:

Business ethics studies those activities, decisions and behaviors which are concerned with human aspect. It is the function of the business ethics to notify those decisions to customers, owners of business, government, society, competitors and others on good or bad, proper or improper conduct of business.

(v) Study of Goals and Means:

Business ethics is the study of goals and means for the rational selection of sacred objects and their fulfillment. It accepts the principles of “Pure goals inspire for pure means” and “Means justifies the end”. It is essential that goals and means should be based on morals.

(vi) Different from Social Responsibility:

Social responsibility mainly relates to the policies and functions of an enterprise, whereas business ethics to the conduct and behavior of businessmen. But it is a fact that social responsibility of business and its policies is influenced by the business ethics.

(vii) Greater than Law:

Although the law approves various social decisions, but the law is not greater than ethics. Law is usually related to the minimum control of social customs whereas ethics gives importance to individual and social welfare actions.

#### **NEEDS FOR BUSINESS ETHICS:**

1. Survival of the Business Unit: Unethical practices of businessmen will lead to the closure of business unit. The closure of a business unit does not only create problems to business but also to employees and the society in general. Businessmen do not maximize the profit at the cost of existence of a business unit.

The behavior of a businessman is affected by some of the factors such as leadership qualities, integrity, knowledge, skills, influence and exercising power. Businessmen should protect their units in all respects.

2. Growth of Business Unit: Business ethics ensure the growth of a business. Whenever a businessman observes ethics strictly, definitely the particular business unit will get developed. A business could not be run in such a manner, which is detrimental to the interest of society or business itself. So there should be some business ethics for the growth of a business.

3. Earning Goodwill: If business ethics are properly followed by a business, automatically that particular business unit earns a good name among the public.

4. Improving the Confidence: Business ethics are necessary to improve the confidence of the customers, employees and the like. If confidence is infused, customers and employees will popularize the name of the particular business unit.

5. Maintaining Inter-relationship: No business functions independently. Each business has close relationship with another business even though the nature and size of the other business differs. It is expected that each business unit should have a smooth relationship with others. The inter-relationship of business is maintained by adopting business ethics.

6. Solving Social Problems: If a businessman observes ethics in his business, the public will not have any difficulty in getting their wants fulfilled. There is no bargaining between the businessman and public. There is a fair treatment of an employee by him. This will avoid social problems like strike, lockout etc.

### **Evolution of Ethics**

Social conduct has evolved along with the evolution of society. When your elders tell you 'Do not cheat'. They are referring to social; code of conduct. Social conduct has developed in society over hundreds of years. The codes of conduct have been passed down from generation to generation, and there is a pattern to the evolution of such codes. Acceptable behavior is promoted and elevated as a social value, and unacceptable behavior is rejected and condemned. In ancient India, there was no moral problem with the custom of Sati- immolating the wife on the funeral pyre of the deceased husband. But society has evolved humanely and has condemned the act as unacceptable and morally reprehensible.

The laws of a country are based on the customs or moral codes of its society. Penalties are prescribed for bad actions- actions that contradict the established laws. The laws are a measure against those people who cross the limits of the code of social conduct, and ensure that good citizen are protected from the negative consequence of the law-breakers.

The object of the social codes of conduct is to maintains, promote, and elevate harmonious relationship. 'Honors your parents' is one such code. It maintains a peaceful relationship between

parents and children and promotes respect for each other in the family. Because of its salutary effects, it is considered as one of the fundamental values to be cultivated.

### **Why Ethics Is a Vital Part of Management Practices?**

John F. Akers, former board chair of IBM, recently said that it makes good business sense for managers to be ethical. Unless they are ethical, he believes, companies cannot be competitive in either national or international markets.

According to Akers: Ethics and competitiveness are inseparable. We compete as society. No society anywhere will compete very long or successfully with people stabbing each other in the back; with people trying to steal from one another; with everything requiring notarized confirmation because you can't trust the other person; with every little squabble ending in litigation; and with government writing reams of regulatory legislation, trying business hand and foot to keep it honest.

Although ethical management practices may not be linked to specific indicators of financial profitability, conflict is not inevitable between ethical practices and making a profit. As Akers's statement suggest, our system of competition presumes underlying values of truthfulness and fair dealing. The employment of ethical business practices can enhance overall corporate health in there important areas: productivity, stakeholder relations, and government regulation.

- **Productivity:** The employees of a corporation constitute on major stakeholder group that is affected by management practices. When management is resolved to act ethically toward stakeholders, then employees will be positively affected. For example, a corporation may decide that business ethics requires it to make a special effort to ensure the health and welfare of its employees. To this end, many corporation have established Employee Advisory Programs(EAPs) to help employees with family, work, financial, or legal problems, or with mental illness or chemical dependency. These programs have even enhanced productivity in some corporations. For instance, Control Data found that its EAP reduced health costs and sick-leave usage significantly.
- **Stakeholder Relations:** The Second area in which ethical management practices can enhance corporate health is by positively affecting "outside" stakeholders such as suppliers and customers. A positive public image can attract customers who view such an image as

desirable. For example, Johnson & Johnson, the world's largest maker of health care products, is guided by "our Credo" addressed more than 60 years ago by

- **Government Regulation:** The third area in which ethical management practices can enhance corporate health is in minimizing government regulation. Where companies are believed to be acting unethically, the public is more likely to put pressure on legislators and other government officials to regulate those businesses or to enforce existing regulations. For example, in 1995, Texas state legislators held public hearings on the operations of the psychiatric hospital industry. These hearings arose, at least partly, out of the perception that private psychiatric hospitals were not following ethical pricing practices.

### **A Code of Ethics**

A code of ethics is a formal statement that acts as a guide for the ethics of how people within a particular organization should act and make decisions. Ninety percent of fortune 500 firms, and almost half of all other firms, have ethical codes. Moreover, many organizations that do not already have an ethical code are giving serious consideration to developing one.

Codes of ethics commonly address such issues as conflict of interest, competitors, privacy of information's, gift giving, and receiving political contributions or business. A code of ethics recently developed by Nissan of Japan, for example, barred all Nissan employees from accepting almost all gifts or entertainment from, or offering them to, business partners and government officials. The new code was drafted by Nissan president Yoshikazu Hanawa and sent to 300 major suppliers.

### **ETHICAL PRACTICES IN MANAGEMENT**

#### **A CODE OF ETHICS:**

It is a formal statement that acts as a guide for how people within a particular organization should act and make decisions in ethical fashion. It commonly address such issues as conflict of interest, behaviour toward competitors, privacy of information, gift giving and making political contributions.

#### **CREATING AN ETHICAL WORKPLACE:**

Business managers are commonly strive to encourage ethical practices not to ensure moral contact but to gain business advantage having potential consumers and employees regard the

company as ethical Creating, distributing and continually improving a company's code of ethics is one usual step managers can take to establish an ethical workplace.

**AREAS OF MEASUREMENT:**

The specific areas in which individual companies take measurements vary, depending on the specific objectives of the companies.

- All companies should take such measurements in four major areas:
- Economic function
- Quality of life
- Social investment
- Problem solving

**SOCIAL RESPONSIBILITY:**

The term social responsibility means different things to different people. The corporate social responsibility is the obligation to take action that protects and improves the welfare of the society as organizational interests.

**MANAGEMENT RULES AND ETHICS:**

Managers that can feel confident that a potential action will be considered ethical by a general public consistent with some standards.

- The golden rule
- The utilitarian principle
- Kant's categorical imperative
- The professional ethic
- The TV test
- The legal test
- The four-way test.

**INDIAN ETHICS AND VALUES**

The term 'ethics' comes from the Greek word 'ethos', which means 'character'. Ethics concerns with the moral behavior of humans and seeks to resolve questions dealing with human morality/concepts such as good and evil, right and wrong, virtue and vice, justice and crime.

Tomas Paul and Linda Elder define ethics as “a set of concepts and principles that guide us in determining what behavior helps or harm sentient creature”. The Cambridge Dictionary of philosophy states that the word ‘ethics’ is interchangeable with ‘morality’ and sometimes it is used to mean the moral principles of a particular tradition, group or individual.

Ethics is an attempt to guide human conduct and it is also an attempt to help man in leading good life by applying moral principles. Ethics refers to well based standards of right and wrong that prescribe what human ought to do, usually in terms of rights, obligations, benefits to society, fairness, or specific virtues.

Ethics is related to issues of propriety, rightness and wrongness. What is right is ethical and what is wrong is unethical. The words ‘proper’, ‘fair’ and ‘just’ are also used in place of ‘right’ and ‘ethical’. If it is ethical, it is right, proper, fair and just. Ethics is a matter of practical concern.

Values refer to a person’s principles or standards of behavior; one’s judgment of what is important in life. Ethics is a set of rules, almost similar to values but tend to be codified into a recognized system or set of rules which clearly adopted by a group of people. To behave ethically is to behave in a manner, acceptable to society.

A value denotes the importance of determining what action or ideal is best to do or live, Value may be described as treating actions themselves by putting value to them. Value deals with right conduct and good life, in the sense that a highly valuable action may be regarded as ethically “good” and an action of low value may be regarded as “bad”

In other words values are those aspects of personality that are important to someone while ethics is system of moral values that govern the behavior of a person in a society.

### **MASLOW’S HIERARCHY OF NEEDS**

Psychologist Abraham Maslow introduced the concept of a hierarchy of needs. His hierarchy proposes that people are motivated to fulfil basic needs before moving on to meet higher level growth needs.

Maslow’s hierarchy of needs is most often displayed as a hierarchical pyramid have seven or eight levels. But, no matter which pyramid you review, the lowest levels of the pyramid are made up of the most basic needs, while the more complex needs are located at the top of the pyramids are considered physiological or deficiency needs, while the top levels are considered growth needs.

Maslow's believes that the lower level needs have to be satisfied before higher needs can influences behaviour.

#### Physiological Needs

Physiological needs deal with the maintenance of the human body. This lowest category includes the most basic needs for water, air, food, and sleep . Maslow's believed that these needs because all needs become secondary until these needs are met. If we needs water, then little else matter until we have something to drink.

#### Safety and security Needs

Safety and security needs are about keeping us safe from harm.these needs includes shelter, job security, health,and safe environment,they will seek to find safety before they attempt to meet any higher level needs. These security needs are important for survival ,but they are not as the basic physiological needs.

#### Social Needs

Social needs advance our tribal nature. These are the needs for belonging, love, affection as well as for relationships with family and friends and companionship. These needs are met through pleasing and fulfilling relationship would imply acceptances by others. Having satisfied their basics physiological and security needs,people can seek relationships from which their needs for the love and belonging can be met.

#### Esteem Needs

After the more basic needs have been satisfied esteem needs becomes important to an individual. once an individual have satisfactorily met their needs for love and belonging they can begin to develop positive feelings of self- worth and self-esteem. Esteem needs are for a higher position within a group and in themselves as individuals.these needs includes self-esteem,respect, achievement, confidence, recognition and accomplishment.

#### Self-actualizing Needs

Self-actualization is the highest level of Maslow's hierarchy. This level of needs pertains to what a person's full potential is and realizing that potential "what a man can be , he must be " is the basis of

the perceived need for self -actualization. Maslow's describes this as the desire to become everything that one is capable of becoming.

### **NONVIOLENCE**

Nonviolence is the personal practice of being harmless to self and others under every condition. It comes from the belief that hurting people, animals or the environment is unnecessary to achieve an outcome and refers to a general philosophy of abstention from violence based on moral, religious or spiritual principles.

Advocates of nonviolent action believe cooperation and consent are the roots of civil or political power: all regimes, including bureaucratic institutions, financial institutions, and the armed segments of society (such as the military and police); depend on compliance from citizens. On a national level, the strategy of nonviolent action seeks to undermine the power of rulers by encouraging people to withdraw their consent and cooperation. The forms of nonviolence draw inspiration from both religious or ethical beliefs and political analysis.

#### Acts of protest

Nonviolent acts of protest and persuasion are symbolic actions performed by a group of people to show their support or disapproval of something. The goal of this kind of action is to bring public awareness to an issue, persuade or influence a particular group of people, or to facilitate future nonviolent action.

#### Nonviolent Intervention

Compared with protest and noncooperation, nonviolent intervention is a more direct method of nonviolent action. Nonviolent intervention can be used defensively—for example to maintain an institution or independent initiative—or offensively- for example, to drastically forward a nonviolent struggle into the opponent's territory. Intervention is often more immediate and effective than the other two methods, but is also harder to maintain and more taxing to the participants involved.

### **COOPERATION**

Cooperation (sometimes written as co-operation) is the process of groups of organisms working or acting together for common or mutual benefit, as opposed to working in competition for selfish benefit. Many animal and plant species cooperate both with other members of their own species and with members of other species

Cooperation exists in non-human animals. This behavior appears, however, to occur mostly between relatives. Spending time and resources assisting a related individual may at first seem destructive to the organism's chances of survival but is actually beneficial over the long-term. Since relatives share part of their genetic make-up, enhancing each other's chances of survival may actually increase the likelihood that the helper's genetic traits will be passed on to future generations.

**SIMPLE LIVING HIGH THINKING:**

India needs eco-friendly development. M K Gandhi said that economic development becomes relevant only when it is based on principles of environmental conservation and harmony, and equity with social justice. Equity has an ethical content in the real world: it would involve sacrifice on the part of the privileged in favour of the less privileged. Gandhi conceded that a certain degree of physical harmony and comfort is necessary, but above a certain level, it becomes a hindrance.

So, creating unlimited wants and satisfying them is luring us away from the ideal of plain living and high thinking. Gandhi often said that an ounce of practice is worth more than a tonne of preaching. Industrial countries on the fast track will eventually become ecological security risks, because they will not easily give up their unsustainable lifestyles. A sustainable society has faith in science and technology as an instrument of environment-friendly social and economic change — because economic growth should not be at the expense of ecological assets.

**RIGHTS AND DUTIES**

Philosophers often distinguish between positive and negative rights. A positive entails positive duties. So, if you have a right to life, I have a duty to prevent your unjust loss of life (if I can do so without the loss of my life). The right to free speech seems to be a negative right. If you have the right to free speech, others have a duty not to stifle your speech, but it does not entail that others have a duty to assist you in speaking freely. Rights of individual tend to anchor moral authority to the individual herself.

Moral and legal rights may be distinguished. So, you may have a moral right not to be tortured, and yet this is not recognized as a legal right. Some moral and legal rights may be generated by others. So, if I rightly own some property and I make you my beneficiary, you then have a right to the property in accord with my action. Rights (moral and legal) can be lost. Most philosophers recognize

that person have right to self-defense and the right to life, but if you unjustly threaten another with lethal force, you loss to your right to life and to self-defense.

Some duties to not give rise to rights. A person may have a duty to give to charity, but no particular charity has a right to your donation.

**ETHICS IN WORKLIFE:**

Work-life balance is self-defines, selfdetermined state of well being that a person can reach, or can set as a goal, that allows them to manage effectively multiple responsibilities at work, at home and in their community; it supports physical, emotional, family and community health, and does so without grief, stress or negative impact.

Given the difficult economic climate and the number of jobs being lost daily, most of us are feeling the pressure to work harder than ever. But in spite of the increasing intensity of our economic crisis, it is not only unfortunate to give in to such pressure. It's unethical not too late to make a change for the better, though ethics isn't just about how you treat others. Its also about how you treat yourself at work and beyond.

Achieving a healthy work-life balance requires managing our professional and personal life in sustainable ways that keep our energy flowing our minds and bodies healthy and our whole selves happy and content.

It means giving due attention to all of the things that enrich and fulfill us including work and career, health and fitness, family and relationships, spirituality, community service, hobbies and passions, intellectual, stimulation, rest and recreation.

1. Track your time
2. Determine your priorities
3. Set specific goals
4. Schedule scrupulously
5. Establish boundaries
6. Take care of your health
7. Nurture your family/relationships
8. Make time for you
9. Leave work at work

10. Exercise your options
11. Work smarter not harder
12. Know when to ask for help

### Creating an Ethical Workplace

Managers commonly strive to encourage ethical practices, not only to be morally correct, but to gain whatever business advantage lies in projecting an ethical image to consumers and employees. Creating, distributing, and continually improving a company's code of ethics is one common step managers can take to establish an ethical workplace.

Another step many companies are taking to create an ethical workplace is to appoint a chief ethics officer. The chief ethics officer has the job of ensuring the integration of organizational ethics and values into daily decisions at all organizational levels. Such officers recommend, help implement, and reinforce strategies aimed at integrating appropriate conduct throughout all phases of company operations. The characteristics designated by the Ethics officer Association that a person must have in order to be successful chief ethics officer.

Another way to promote ethics in the workplace is to furnish organization members with appropriate training. General Dynamics, McDonnell Douglas, Chemical Bank, and American Can Company are examples of corporations that conduct training programs aimed at encouraging ethical practices within their organization. Such programs do not attempt to teach managers what is moral or ethical, but to give them criteria they can use to help determine how ethical a certain action might be. Managers Business Ethics & Corporate can feel confident that a potential action will be considered ethical by the general public if it is consistent with one or more of the following standard:

1. **The Golden rule** – Act in a way you would expect others to act toward you.
2. **The utilitarian principle** – Act in a way that results in the greatest good for the greatest number of people.
3. **Kant's categorical Imperative**- Act in such a way that the action taken under the circumstances could be a universal law, or rule, of behavior.
4. **The professional ethic** – Take actions that would be viewed as proper by a disinterested panel of professional peers.

5. **The TV test** – Managers should always ask, “ Would I feel comfortable explaining to a national TV audience why I took this action?”

6. **The legal test**- Is the proposed action or decision legal? Established laws are generally considered minimum standard for ethics.

7. **The four-way test**- Managers can feel confident that a decision is ethical if they can answer “yes” to the following questions: is the decision truthful? Is it fair to all concerned? Will it build goodwill and better friendships? Will it be beneficial to all concerned?

### **BUSINESS ETHICS- ATTITUDES AND BELIEFS**

Attitudes are shaped by the interaction of situations, experience and values. Attitudes are learned, and carried into the work environment. A model of ethical behavior is presented, and factors affecting ethical behavior are discussed.

Objectives:

1. Explain the ABC model of an attitude.
2. Describe how attitudes are formed.
3. Define job satisfaction and organizational commitment and discuss the importance of these two work attitudes.
4. Identify the characteristics of the source, target, and message that affect persuasion.
5. Distinguish between instrumental and terminal values
6. Explain how managers can deal with the diverse value systems that characterized the global environment.
7. Describe a model of individual and organizational influences on ethical behavior.
8. Discuss how value systems, locus of control, Machiavellianism, and cognitive moral development affect ethical behavior.

Key Terms for attitudes and beliefs:

Attitude, affect, cognitive dissonance, social learning, job satisfaction, organizational citizenship behavior, organizational commitment, affective commitment, continuance commitment, normative commitment, values, instrumental values, terminal values, ethical behavior, Machiavellianism, cognitive moral development.

Attitudes:

Attitudes are an integral part of the workplace that directly impact employee behavior. Understanding how people form attitudes, how those attitudes affect work behavior and persuasion will help managers improve their ability to change counterproductive attitudes.

A. ABC model:

The ABC model includes three areas: affect, behavior intentions, and cognition. Affect is the emotional component of an attitude. Behavioral intentions relate to the action an individual would take given the opportunity. People experience cognitive dissonance when their behavior conflicts with their own attitudes or beliefs.

B. Attitude formation:

All attitudes are learned, and our attitudes vary based on our experiences and learning environment. One way in which our attitudes are formed is through social learning, which involves the influences of family, peers, colleagues, and institutions.

C. Attitudes and Behavior:

The association between attitudes and behavior intrigues researchers. Attitude enactment is not as simple as thinking positively to produce positive results.

D. Work attitudes:

1. Job satisfaction
2. Organizational commitment

E. Persuasion and Attitude change:

Because attitudes can be altered and shaped, it is in the interest of managers to be conscious of ways in which they might affect attitude changes. Through persuasion, attitudes can be altered. Characteristics of the persuader, and the individual being persuaded, and the message itself must be considered.

1. Source characteristics
2. Target characteristics
3. Message characteristics
4. Cognitive routes to persuasion

**VALUES OR BELIEFS**

Values are the enduring beliefs that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or end state of existence. Values are more difficult to change or alter than are attitudes, although attitudes are based on values.

A. Instrumental and terminal values.

Instrumental values represent acceptable behaviors as the means to reach a goal. Terminal values represent the goals to be achieved.

B. Work values:

Work values are more specific than personal values, and have direct implications for behavior and attitudes in organizations. The work values most relevant to individuals are achievement, concern for others, honesty, and fairness.

C. Cultural differences in values:

Culture exerts a significant influence on individual's values and the differences in values within various cultures become increasingly important as workforce diversity broadens. Central values such as loyalty, contribution, and authority.

**Part A (ONE Mark)**

**Multiple Choice Questions**

**Online Examination**

**Part B**

**(2 Marks)**

1. Define the Production function:
2. Define Operations management:
3. Define Assembly line.
4. Explain the recent trends in production & operations management

5. Explain the various elements of adopting operations strategy in a manufacturing firms.
6. Explain how firms manage global operations
7. Explain various objectives of Operations Management
8. Explain need for production & operations Management
9. What are types of Production System?
10. Define the Job shop production, Job or unit production
11. Define Cell
12. Define the terms:
  - i. In process inspection
  - ii. Flow shop ProductionValue chain & Supply Chain management
13. Distinguish between the term 'corporate strategy' and 'operations strategy'
14. "Paying attention to the smallest details of production can be strategic importance"-  
Elucidate the statement.
15. What is meant by 'competitive strategy'? List four performance characteristics that a company can choose to emphasize to have competitive advantage:
16. What do you mean control decision?
17. Define the term Production sharing:
18. Explain in details the various elements of operations strategy:
19. Define the production system Explain how the concept of productions system helps in understanding of Production and operations management.
20. What is n operations system?
21. What are the five basic elements of operational excellence?
22. What are the various functions of operations? How are they linked to other parts of an organization?
23. Discuss the design issues under which the operations system function.
24. Compare and discuss the cost and flexibility tradeoff in operations strategy

25. What are the steps involved in strategic formulation process? How does manufacturing technology provide unique advantages to organization in providing products and services to customers?

**Part C (8 Marks)**

1. Trace the historical evolution of production management.
2. Explain the different types of Production Systems with suitable examples.
3. Discuss the different ways of improving productivity in an organization.
4. Discuss the steps involved in Product design development. Also explain its relationship to PLC.
5. Discuss the steps involved in process planning in detail.

**Part D (11 Marks)**

Busy Monday morning, Rahul bhai was getting ready to go to Office in Kochi. Thirty years, old Rahul Bhai purchased a Honda City car from ABC dealer in Trivandrum on 2008. He could not start his car due to overnight rain. After some moments, he started his car. He was rushing up to go to office. On the middle of the road, the car got jump started. He was annoyed with his car's performance.

The Manufacturers and dealers offer variety of services for their products like arranging car loan, five years warranty period, assisting Insurance and Roadside Assistance Programme etc. They are charging a considerable amount of money for their services. Particularly, Roadside Assistance Programme which means whenever car breaks down, the battery failure, more smoke comes from silencer or carelessly locked door. In such an emergency case, the customer can make a call the toll free number provided and help will arrive at your location. If car cannot be fixed immediately, some programmes offer to tow it to the nearest service station and find accommodation or a replacement car for customer in the mean time. If car is new, the manufacturer or dealer has given you the option of registering for a Roadside Assistance Programme at the time of purchase.

Companies like Volkswagen offers Roadside Assistance Programme free of cost during the two year warranty period. Honda offers five year warranty period. They charge for Roadside Assistance Programme, 1750/-INR for the first year of service, 2900/- INR in th second, 3700/-INR in the third, 4600/-INR in the fourth and 6000/-INR in the fifth year. Compare to Chevrolet too has a

subscription fee 1000/- INR during the first year or 2700/-INR for a three year programme. After warranty period, they charge a flat 1350/-INR per year.

If customers purchase second hand vehicle, the manufacturer or dealer unlikely to give you the benefit of Roadside Assistance Programme. In addition, Manufacturer would not be willing to extend such services after the warranty period. Further, the signing up of the Roadside Assistance programme is quite complicated with most manufacturers including details of dealership customer purchased the vehicle from and vehicle identification number that establishes that the automobiles qualifies for the programme.

However, third party enter into the Roadside Assistance Programme, companies like Crossroads India Assistance (CRIA), Carzcare and MyTVS. They provide similar services offered by manufacturers or dealers. In addition, they can also save you money on services such as towing your vehicle in case of a breakdown that cannot be rectified on spot. Most service providers offering concessional rates on this facility. The major drawbacks of some of third parties restrict their services to certain territories. For example, CRIA provides RoadSide Assistance programme only in 23 cities in Country. MyTVS assures customers of assistance anywhere in India, barring J&K and the North East.

Also, Roadside Assistance Programme cap the number of free services customer can entitles to in a year. If car breaks down frequently, it's probably best to junk it! Third parties' service cost is less than obtaining similar kit from manufacturer or dealer after vehicle has crossed a certain age. For example CRIA start at 799/- plan in New Delhi/NCR, MyTVS' Basic gold membership plan 1250/- per year.

**Q1: As an Operation Manager of a Third Party Company, What operations Strategy should focus for increasing customer satisfaction?**

**Q2: Recommend What Competitive Priorities, Manufacturers and dealers should highlights in their operations.**

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<b>S.NO</b>	<b>Questions</b>	<b>Option A</b>	<b>Option B</b>	<b>Option C</b>	<b>Option D</b>	<b>Answer</b>
<b>1</b>	The framework for establishing good corporate governance and accountability was originally set up by the	Rowntree Committee	Cadbury Committee	Nestlé Committee	Thornton Committee	Cadbury Committee
<b>2</b>	Which of the following is not one the underlying principles of the corporate governance Combined Code of Practice?	openness	integrity	accountability	acceptability	acceptability
<b>3</b>	Which is not the reason for corporate misgovernance in India	Open Economy	Sheltered Market	Limited Access To Global Market	Inefficient Framework	Open Economy
<b>4</b>	Bribery to concerned official, using import licences to make quick profit, illegally holding money abroad to meet business expenses are types of	Corporate Misgovernance	Illegal Tacits Of Indian Corporates	Series Of Scams	None Of The Above	Illegal Tacits Of Indian Corporates
<b>5</b>	Which of the statement is true: a) Directors elect shareholders who elect them b) directors vote on key matters and adopt the majority decision c) Company adopts scientific methods to generate accounting info required by stakeholders d) the company policies and practices adhere to applicable national, state and local laws	Only B	A And C	B And D	All Of Them	B And D
<b>6</b>	Which of the following is not the issue of CG	Ditinguising The Role Of Board And Management	Composition Of Board And Related Issues	Combining The Role Of Ceo And Chairman	Director's And Executive Remuneration	Combining The Role Of Ceo And Chairman

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7	Which of the following statement is true about CG	The Interest Of Society Is Ignored	Shareholder's Interest Are Considered More Over Rest Of The Stakeholders	Combining The Role Of CEO And Chairman	None of the Above	None of The Above
8	The OECD states that CG problem arise s because of	Ownership & Control Is Separated	Organization's Main Objective Is Profit Maximization	Managers Act In Self Interest	Power Distribution Among Stakeholders	Ownership & Control Is Separated
9	The _____ calls for protection to those who brings fraud to attention of those handling frauds	Cadbury Committee	Greenbury Committee	SOX Act	Hampel Committee	SOX Act
10	In privately owned organizations only employees at _____ are seen indulging in corporate misgovernance	Low Level	Mid Level	Top Level	All Levels	Top Level
11	Need for CG in India was realized with _____	Plantation Companies Scam	IT Scam	Harshad Mehta Scam	Mutual Fund Scam	Harshad Mehta Scam
12	Extraordinary high income tax levels of 1960's led many companies to devise tax eviction tactics in form of compensation packages for	Senior Employees	Low Level Employees	Middle Level Employees	Both (A) & (C)	Both (A) & (C)
13	By _____ each & every listed company joined the SEBI code	2002	2003	2004	2000	2003
14	_____ defines CG as system by which business corporations are directed & controlled	Oecd	Sox Act	Cadbury Committee	Greenbury Committee	Oecd
15	CG maybe defined broadly as its relationship to	Shareholders	Society	Management	All Of The Above	Society
16	Executive pay in UK was reviewed by	Cadbury	Greenbury	SOX Act	Hampel	Greenbury

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		Committee	Committee		Committee	Committee
<b>17</b>	Stakeholders are the individuals or groups who:	Depend On The Organisation To Fulfil Their Own Goals And On Whom The Organisation Depend.	Are Shareholders In Key Competitors.	Dominate The Strategy Development Process In An Organisation.	Determine Operational Issues.	Depend On The Organisation To Fulfil Their Own Goals And On Whom The Organisation Depend.
<b>18</b>	FICCI stands for	The Federation Of International Chambers Of 19Commerce And Industry	The Federation Of Indian Chambers Of Commerce And Industry	The Finance Of Indian Chambers Of Commerce And Industry	The Finance Of International Chambers Of Commerce And Industry	The Federation Of Indian Chambers Of Commerce And Industry
<b>19</b>	Which of the following is not a parameter as elucidated by OECD	Rights Of Shareholders	Disclosure And Transparency	Responsibilities Of The Board Of Directors	Full Disclosure Of All Details Of Transactions	Full Disclosure Of All Details Of Transactions
<b>20</b>	Which of the following is not one the underlying principles of the corporate governance Combined Code of Practice?	Accountability	Integrity	Openness	Acceptability	Acceptability
<b>21</b>	Infosys business activities are anchored in three pillar	Business Ethics, Corp Governance And CSR	GDM,C-Life Principle And PRIDE	CG, CSR And PRIDE	GDM,PRIDE And CG	Business Ethics, Corp Governance And CSR
<b>22</b>	Infosys was the first Indian company to voluntarily adopt	Cadbury Committee Recommendation	Corporate Governance	Us Gaap	Cost Cutting Techniques	Us Gaap

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<b>23</b>	Fundamental objective of Corporate Governance is ...?	The Enhancement Of Long Term Share Holder Value And Protecting The Interest Of Other Stake Holders	Protecting The Interest Of Employees	Protecting The Interest Of Board Of Director	Protecting The Interest Of Outsiders	The Enhancement Of Long Term Share Holder Value And Protecting The Interest Of Other Stake Holders
<b>24</b>	_____ Is one aspect of corporate governance that helps a company achieve its goal of maximizing shareholders value	Effective And Efficient Risk Management	Effective And Efficient Utilization Of Firms Overall Resources	Effective And Efficient Utilization Of Man Power	None Of These	Effective And Efficient Risk Management
<b>25</b>	Effective and Efficient risk management helps company to achieve its	Corporate Social Responsibility	Goals And Maximization Of Shareholder Wealths	Better Corporate Governance In An Organization	It Employee Commitment To Work	Goals And Maximization Of Shareholder Wealths
<b>26</b>	Main purpose of CG is:	To Separate Ownership And Mgt Control Of Organizations	To Maximize Shareholders Value	To Make Organizations More Visibly Accountable To A Wider Range Of Stakeholders	To Ensure That Regulatory Frameworks Are Adhered To	To Maximize Shareholders Value
<b>27</b>	Effective corporate governance does all of the following except:	Ensure Corporate Accountability.	Enhance The Integrity And Efficiency Of The Capital	Eliminate The Prospect Of Fraud Within An	Enhance The Reliability And Quality Of Public	Eliminate The Prospect Of Fraud Within An

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			Market	Organization	Financial Information	Organization
<b>28</b>	The ultimate responsibility for maintaining an appropriate balance between management and the owners rests with:	Board Of Directors	Managers	Shareholders	Regulating Entities	Board Of Directors
<b>29</b>	What is needed to create a corporate culture of consciousness, transparency and openness??	Corporate Management	Corporate Guidance	Corporate Governance	Corporate Control	Corporate Governance
<b>30</b>	CII's first audit committee	Cadbury Committee	Turnbull Committee	Hampel Committee	Kumar Mangalam Birla Committee	Kumar Mangalam Birla Committee
<b>31</b>	Which of the following is not a right of shareholders?	He Has A Right To Demand A Poll	He Has A Right To Participate In Declaration Of Dividends And Receive His/Her Dividends Duly	He Is Entitled To Inspect And Obtain Copies Of Minutes Of Proceedings Of General Meetings	He Cannot Make A Petition To The High Court For The Winding Up Of The Company	He Cannot Make A Petition To The High Court For The Winding Up Of The Company
<b>32</b>	Divergence in objectives between ownership and management leads to	Relational Costs	Agency Costs	Economies Of Scale	Economies Of Scale	Agency Costs
<b>33</b>	The basic right of shareholder is :	Right To Transfer And Obtain Registration Of Shares	Obtaining Relevant Information On The Company On A Timely And Regular Basis	Participating And Voting In Shareholder Meetings	All the given options	All the given options

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<b>34</b>	Conflicts of interest between shareholders and managers of a firm result in	Principal-Agent Problem	Increased Agency Costs	Both A And B	None Of The Above	Both A And B
<b>35</b>	Shareholders have the right to have certificate of shares within _____ of allotment	2 Months	3 Months	1.5 Months	2.5 Months	3 Months
<b>36</b>	Shareholders can apply for the rectification of the register of member to:	Company Law Board	Board Of Director	Management	Employees	Company Law Board
<b>37</b>	Shareholder is entitled to:	Can't Participate In Decision Of Dividend Declaration	To Receive A Statutory Report Made By Auditor.	Obtain Copies Of Minute Of Proceeding Of Gm Bt Can't Inspect Them	Can Participate In Decision Of Dividend Declaration	To Receive A Statutory Report Made By Auditor.
<b>38</b>	Shareholder as right to inspect:	The Registers Of Investment Held By The Third Party On Company's Name.	The Registers Of Investment Held By The Company In Its Own Name	The Registers Of Investment Not Held By The Company In Its Own Name	The Registers Of Investment Held By The Company In Its Own Name As Well As By The Third Party.	The Registers Of Investment Not Held By The Company In Its Own Name
<b>39</b>	Strong investor protection is associated with	Effective Corporate Governance	Companies Performance	Both	Principal-Agent Problem	Both
<b>40</b>	The core substance of corporate governance lies in	Designing	Putting In Place Mechanisms	Only A	Both A And B	Both A And B
<b>41</b>	The relationship between investor protection and corporate governance is	Principal And Agent	Trustor And Trustee	Both A and B	Trustee	Principal And Agent
<b>42</b>	The objective of corporate governance	Shareholders	Creditors	Both A and B	Trustee	Both A Or B

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	reforms in most countries is to protect rights of outside investors, including					
43	Investor protection is an important constituent of	Corporate Governance	Insider Trading	Both A and B	outsider Trading	Corporate Governance
44	Provides an impetus for the growth of capital markets	Banks	Investor Protection	Both A and B	None Of The Above	Investor Protection
45	After which scams did SEBI took investor protection seriously	Ketan Parik Scam	Uti Crises	Both A and B	Principal-Agent Problem	Both A and B
46	Investor protection is inalienable part of corporate governance	TRUE	FALSE	Cant Say	Don't Know	TRUE
47	Who headed a corporate governance committee that was formed at RIL after Anil's acquitions	D.V. Kapoor	Mukesh Ambani	Y.P. Trivedi	Anand Jain	Y.P. Trivedi
48	Which company won the national award for Execellece in corporate governance for the year 2003	Infosys	Reliance	ITC	TCS	Reliance
49	What was the main reason of tussel over corporate governance	Absence Of Will	Insider Trading	Conflict Of Shareholders Interest	None Of The Above	Absence Of Will
50	De facto' means	Director Duly Appointed And Acts As A Director	Director Not Duly Appointed And Don't Act As A Director	Director Not Duly Appointed But Acts As A Director	Director Appointed As Per Law	Director Not Duly Appointed But Acts As A Director
51	Who among the following cannot remove the directors from the office?	Executive Directors Of The Company	Federal Govt.	Shareholders	The Company Law Board	Executive Directors Of The Company
52	To ensure better governance practices a strategic board should be all of these Except	Small Size	Independent	Smaller Vision	Well-Informed	Smaller Vision

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<b>53</b>	For better governance, the board should ensure	Total Commitment To The Company	Steer Discussion Properly	Efficient CEO	All Of The Above	All Of The Above
<b>54</b>	Which act provides a negative definition of an independent director	Government Act	Companies Act	Contract Act	Special Provision Act	Companies Act
<b>55</b>	What should be the highest priority of the boards?	Better Corporate Performance Through Legitimate & Transparent Policies	Ensure Long Term Maximisation Of Shareholder Value & Wealth	Commitment To Corporate Social Responsibility	Have Vision, Values & Responsibilities Well Defined	Ensure Long Term Maximisation Of Shareholder Value & Wealth
<b>56</b>	What percentage of independent external directors should be on board who can advise, admonish & control operation management?	Upto 40%	Upto 50%	Upto 60%	Upto 70%	Upto 50%
<b>57</b>	Which one is not a provision in SOX Act regarding Auditors	Audit Partner Rotation	Prohibition Of Non-Audit Services	No Responsibility For Financial Reports	Conflict Of Interest	No Responsibility For Financial Reports
<b>58</b>	What are the obligations of the management towards the investors for good corporate governance?	Social Concern	Humane Treatment	Encouraging Whistle Blowing	Gift And Donation	Encouraging Whistle Blowing
<b>59</b>	Why the Tata steel adopted Tata code of conduct and audit committee system of evaluation	For Protect The Interest Of Shareholders Only	In Order To Improve The Internal Management System	For Increase In Profit	Both A And C	In Order To Improve The Internal Management System
<b>60</b>	What are the obligations of the management towards the Society for good corporate governance?	Humane Treatment	Fair Employment Practices	Participative And Collaborative	National Interest	National Interest

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**KAHE**

**UNIT-II- INTRODUCTION CORPORATE GOVERNANCE**

**SYLLABUS**

**Introduction Corporate Governance** - Introduction – Meaning and overview of corporate governance, corporate board - Attributes, duties, responsibilities, liabilities, shareholders – Rights, responsibilities of share holders, minority share holders protection. Ethical aspects of corporate governance..

**CORPORATE GOVERNANCE**

Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community. Since corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure

Governance refers specifically to the set of rules, controls, policies and resolutions put in place to dictate corporate behavior. Proxy advisors and shareholders are important stakeholders who indirectly affect governance, but these are not examples of governance itself. The board of directors is pivotal in governance, and it can have major ramifications for equity valuation.

**CORPORATE GOVERNANCE- DEFINITION**

- Globalization lead to increasing The system by which business corporations are directed and controlled
- Specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders
- Spells out the rules and procedures for making decisions on corporate affairs

- Provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance

## **MEANING**

Corporate governance is the structure and the associations which govern corporate direction and performance. The board of directors have dominant role in corporate governance. Its relationship to the other primary participants, typically shareholders and management, is critical. Other members include employees, customers, suppliers, and creditors. The corporate governance framework also depends on the legal, regulatory, institutional and ethical environment of the community. Usually, corporate governance is described as the host of legal and non-legal principles and practices affecting control of publicly held business firms. Broadly speaking, corporate governance affects not only who controls publicly traded corporations but also the allocation of risks and returns from the firm's activities among the various contributors in the firm, including stockholders and managers as well as creditors, employees, customers, and even societies.

## **OBJECTIVE OF CORPORATE GOVERNANCE**

The fundamental objective of corporate governance is to boost and maximize shareholder value and protect the interest of other stake holders. World Bank described Corporate Governance as blend of law, regulation and appropriate voluntary private sector practices which enables the firm to attract financial and human capital to perform efficiently, prepare itself by generating long term economic value for its shareholders, while respecting the interests of stakeholders and society as a whole. Corporate governance has various objectives to strengthen investor's confidence and intern leads to fast growth and profits of companies. These are mentioned below:

1. A properly structured Board proficient of taking independent and objective decisions is in place at the helm of affairs.

2. The Board is balanced as regards the representation of suitable number of non-executive and independent directors who will take care of the interests and well-being of all the stakeholders.
3. The Board accepts transparent procedures and practices and arrives at decisions on the strength of adequate information.
4. The Board has an effective mechanism to understand the concerns of stakeholders.
5. The Board keeps the shareholders informed of relevant developments impacting the company.
6. The Board effectively and regularly monitors the functioning of the management team.
7. The Board remains in effective control of the affairs of the company at all times.

***WHY IS IT IMPORTANT?***

- Proliferation of financial scandals and crisis
- loss of trust of investors
- cross border investment opportunities but investors may not have knowledge about the regulatory framework of overseas investees
- Investor are not willing to invest in countries/ companies that are corrupt, prone to fraud, poorly managed and lacking sufficient protection for investors rights
- Securities and company law protection may help, but not enough
- Corporate governance supplements the legal framework
- Corporate governance also plays an important role in maintaining corporate integrity and managing the risk of corporate fraud, combating against management misconduct and corruption

**PRINCIPLES OF CORPORATE GOVERNANCE**

- Ensuring the basis for an effective corporate governance framework
- The rights of shareholders and key ownership functions
- The equitable treatment of shareholders
- The role of stakeholders in corporate governance
- Disclosure and transparency

- The responsibilities of the board

### **CORPORATE BOARD**

A board of directors (B of D) is a group of individuals that are elected as, or elected to act as, representatives of the stockholders to establish corporate management related policies and to make decisions on major company issues. The Corporate Board contains articles written by directors of major corporations, chairmen, chief executives, legal and financial advisors.

### **THE BOARD OF DIRECTORS**

The board of directors is the primary direct stakeholder influencing corporate governance. Directors are elected by shareholders or appointed by other board members, and they represent shareholders of the company. The board is tasked with making important decisions, such as corporate officer appointments, executive compensation and dividend policy. In some instances, board obligations stretch beyond financial optimization, when shareholder resolutions call for certain social or environmental concerns to be prioritized. Boards are often comprised of inside and independent members. Insiders are major shareholders, founders and executives. Independent directors do not share the ties of the insiders, but they are chosen because of their experience managing or directing other large companies. Independents are considered helpful for governance, because they dilute the concentration of power and help align shareholder interest with those of the insiders.

### **CORPORATE GOVERNANCE LIABILITIES**

A company secretary may not be a director, but they will often be liable for breach of duty in the same way as board members. The code of directors' duties, set out in the Companies Act, is not expressed as applying to the secretary, but, as an officer of the company, the duty to promote the company's success should apply in equal measure, as should the obligations to avoid a conflict of interest and to exercise independent judgment. As discussed above, the secretary has many administrative responsibilities, including filing returns at Companies House and ensuring compliance with the Companies Act. Numerous sections in the Act provide that, where there is a

failure to file or comply, 'an offence is committed by every officer of the company who is in default'. If the secretary is the person with prime responsibility for the task, they will be the person in default and liable to the fine.

### **RIGHTS & RESPONSIBILITIES OF SHAREHOLDERS**

The Report emphasizes on the need for fair and accurate reporting of a company's progress to its shareholders. The Report placed importance on the role of institutional investors/ shareholders and encouraged them to make greater use of their voting rights and take positive interest in the board functioning. Both shareholders and boards of directors should consider how the effectiveness of general meetings could be increased as well as how to strengthen the accountability of boards of directors to shareholders.

A shareholder is a part-owner of a corporation who acquires his interest by contributing capital towards the formation of the company or by buying its shares. Shareholders can be people or other corporations, since these are independent legal entities. Ownership of the corporation entitles the shareholder to specific rights. However, the rights of a shareholder may be subject to the proportion of ownership such that the person who owns the majority of shares can exercise greater powers than the minority. Shareholders also have responsibilities that arise from their ownership of the corporation.

- **Voting Rights**

The right to vote is a shareholder's most essential entitlement. Corporations are required to convene annual general meetings at which shareholders can be apprised of the company's progress. Shareholders can attend these meetings in person, but if they prefer, they may be represented through properly appointed proxies so that they are not deprived of their right to participate. During the meetings, shareholders propose and vote on various issues calculated to facilitate the progress of

the corporation. For example, shareholders vote on whether to distribute or retain profits in the company and also approve the purchase of assets.

- **Information**

The management of a corporation ensures that proper books of accounts and records are maintained so that shareholders can inspect them to get an accurate picture of the position of the business. Shareholders have a right to be presented with audited financial statements during the annual general meeting; these statements are thereafter filed with the company's registry, where they can be readily accessed. Corporations also prepare annual reports that cover every aspect of the business to give the shareholders comprehensive information that they can use to make decisions about the future of the company.

- **Appointing Officers**

It is the responsibility of the shareholders to appoint corporation officers to help in the running of the business. Shareholders elect directors during annual general meetings; these directors constitute a board that is charged with the responsibility for the overall management of the company. The shareholders also appoint external auditors who examine the corporation's books of accounts and deliver audited statements at the end of each financial year.

- **Oversight**

Shareholders have a responsibility to oversee the proper management of the company. They have a duty to call the organizational management and board of directors to account for the performance of the company. Shareholders may ask questions, seek clarifications and even raise objections to the actions and decisions of the management. Shareholders usually address management during the annual general meeting but they can convene extraordinary and special meetings to discuss specific agenda relating to the management of the company.

### **Ethical Aspects of Corporate Governance: An Analysis**

Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. Corporate Governance essentially involves balancing the

interests of the many stakeholders in a company, and these include its shareholders, management, customers, suppliers, financiers, government and the community where the company is working.

In narrow sense, Corporate Governance deals with maximizing the shareholders wealth, and in broader prospective, it considers the welfare of the all stakeholders and the society.

Corporate Governance also provides the framework for attaining a company's objectives, and it encompasses practically every sphere of management from action plans and internal controls to performance measurement and corporate disclosure.

Following are the aspects which should be covered by Management of any organization in its Corporate Governance Policy:

1. **Rights of Shareholders and equality treatment to shareholders:** Every Organization should respect the rights of shareholders and should help them exercise their rights properly, openly and effectively. . There should be a proper communication by organization aiming to encourage shareholders' rights.
2. **Other stakeholders:** Organizations should fix their responsibilities,e. legal, contractual, social, and market driven responsibilities, for shareholders including other stakeholders such as investors, employees, creditors, customers, suppliers, local communities and policy makers.
3. **Roles and responsibilities of the Board of Directors:** The board of any organization should be inclusive of proper and sufficient management skills, educational qualifications and understanding to review of policies and challenges of management performance. Furthermore, there should be a proper and appropriate commitment.
4. **Integrity and ethical behavior:** Integrity is the important factor of success for any of the organizations. Integrity is the fundamental requirement of organization, corporate officers and board members who are required to follow the principle of integrity. Every Organization should develop its code of conduct for its employees, executives directors and promoters, respectively.
5. **Transparency and Disclosure:** Organizations should follow the principles of transparency and disclosure for the best interest of organizational stake holders. Transparency and disclosure are

the responsibilities of board and management of organization. This function provides accountability to stakeholders.

### **MINORITY SHAREHOLDER**

A minority shareholder may bring a claim when the company has been or is being managed in a way that is 'unfairly prejudicial' to some or all of its shareholders(including the claimant). ... If it is, a minority shareholder will usually have no right to challenge the decisions of the directors or the majority.

### **WHO IS A MINORITY SHAREHOLDER IN A COMPANY?**

A minority shareholder is defined as a shareholder who does not exert control over a company. The majority shareholders almost always exert an absolute control over the company, its management, its board of directors, and so on

### **MINORITY *SHAREHOLDER* PROTECTION**

A minority shareholder in a company does not have much power to influence its management and, therefore, sometimes their interests are disregarded. Should they need to protect their position, a minority shareholder can do so in a number of ways.

### **PROTECTING THE *RIGHTS* OF MINORITY SHAREHOLDERS**

A minority shareholder may bring a claim when the company has been or is being managed in a way that is 'unfairly prejudicial' to some or all of its shareholders. While these claims can be brought in relation to any kind of company, they are usually brought successfully only in relation to companies where the claimant shareholder reasonably expected to be involved (usually as a director) in the management of the company. The rights of shareholders against each other and against the

company are generally as defined by the articles of association of the company and by relevant statute law, in particular by the Companies Act 2006. The general principle is that a company is managed by its directors (not by its shareholders) and that a decision of the majority of shareholders reached in general meeting is binding on the minority. A company should be run in accordance with its articles and the provisions of CA 2006 relating to a shareholder's personal rights and corporate governance. If it is, a minority shareholder will usually have no right to challenge the decisions of the directors or the majority. Minority shareholders claims all represent exceptions to this general rule, largely based on equitable principles. The availability of these claims and the prospects of success are limited accordingly.

### ***MINORITY SHAREHOLDER CLAIMS AND RELATED CLAIMS***

The situation in which a minority shareholder's claim arises may also be one in which one or more of the following types of claim should be considered as well as or instead of that claim include:

- ❖ Personal claims under the company's articles
- ❖ Rectification of the company's register of members
- ❖ Claims relating to the appointment or removal of directors
- ❖ Corporate insolvency proceedings

### **ETHICAL ASPECTS OF CORPORATE GOVERNANCE**

1. Good corporate governance ensures corporate success and economic growth.

2. Strong corporate governance maintains investors' confidence, as a result of which, company can raise capital efficiently and effectively.
3. It lowers the capital cost.
4. There is a positive impact on the share price.
5. It provides proper inducement to the owners as well as managers to achieve objectives that are in interests of the shareholders and the organization.
6. Good corporate governance also minimizes wastages, corruption, risks and mismanagement.
7. It helps in brand formation and development.

**Part A (ONE Mark)**

**Multiple Choice Questions**

**Online Examination**

**2 Marks Questions**

1. Define Corporate Governance.
2. Explain the structure of Corporate Governance.
3. Define Corporate Board.
4. Write any two defences in product liability.
5. What is simple living?

**8Marks Questions**

1. How does legal environment affect business?
2. Explain the Ethical aspects of Corporate Governance.
3. Explain the rights and responsibilities of shareholders.
4. List out four principles for highly ethical organization.
5. List the characteristics of a high integrity organization
6. Define Corporate Board. Mention their liabilities.
7. Discuss various theories of corporate governance.

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**UNIT-III**

S.No	Questions	Option A	Option B	Option C	Option D	Answer
1	Under which theory, Board composition, financial reporting, disclosure and auditing are necessary mechanisms to promote equity and fairness in the society is discussed?	Stake Holders Theory	Sociological Theory	Agency Theory	Stewardship Theory	Sociological Theory
2	Which Theory considers the firm as an input- output model by explicitly adding all interest groups?	Sociological Theory	Agency Theory	Stake Holders Theory	Stewardship Theory	Stake Holders Theory
3	Encouraging whistle blowing is the obligation of the management towards the	Customer	Employee	Society	Investors	Employee
4	What is consensus oriented?	Understanding Of Financial, Legal And Environmental Issues	Understanding Of Historical, Cultural And Social Context Of The Society	Understanding Of Customers Behavior	Understanding Of Investors Behavior	Understanding Of Historical, Cultural And Social Context Of The Society
5	When was Cadbury Committe incorporated?	1995	1885	2000	1992	1992
6	Under Greenbury Committee, CBI stands for?	Central Board of India	Confedearition of British Industry	Combined Board of India	None of the above	Confedearition of British Industry
7	which is one of the earliest international organisation to study the issue of corporate governance ?	RBI	World bank	Central bank	Federal bank	World bank
8	Common stock that is widely	Public.	Market.	Network.	Supervisory.	Market.

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	distributed among individuals describes what type of corporate governance structure?					
<b>9</b>	Which one of the following statements is true?	Conflicts of interests between management and stakeholders can result in bankruptcies or major frauds.	It is the responsibility of internal audit to design and monitor controls that reasonably assure that objectives are met.	The management board approves the mission, vision, objectives and strategy of the entity.	Corporate governance addresses the principal-agent relationship between management and directors on the one hand and the relationship between the company and suppliers on the other.	Conflicts of interests between management and stakeholders can result in bankruptcies or major frauds.
<b>10</b>	In a two-tier structure of corporate governance:	The chair of the non-executive board is also chair of the executive board.	Non-executives are responsible for the day-to-day operations.	Members of the supervisory board are appointed by the executive board.	CEO and chair of the board are split	CEO and chair of the board are split
<b>11</b>	Which of the following is not a code of corporate governance?	The Sarbanes-Oxley.	Vienot.	Cromme.	King.	The Sarbanes-Oxley.
<b>12</b>	According to agency theory:	The management board is the agent.	Information asymmetry does not exist.	Self-interest plays no role.	The management board is the principal	The management board is the agent.
<b>13</b>	Sustainability reporting	Environmental	Economic	Social and	Economic, social	Economic,

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	consists of	issues.	issues.	environmental issues.	and environmental issues.	social and environmental issues.
14	According to Anglo-Saxon best practice, the board represents	Minority shareholders.	All constituencies.	Shareholders – not other constituencies.	The employees.	Shareholders – not other constituencies.
15	XBRL refers to:	Standard language for business reporting.	A tool for generating a web-based audit report.	An automated audit tool.	Financial reporting software.	Standard language for business reporting.
16	Internal control objectives are, among others	Compliance with law and regulations.	Risk assessment.	Segregation of duties.	Control environment and monitoring	Compliance with law and regulations.
17	In agency theory Board of director are agents of	Employees	Customer	Shareholder	All of above	Shareholder
18	Agency theory refers to:	providing value to all the company's stakeholders;	the directors acting to ensure the best interest of the shareholders are being met;	corporations providing value by combining the key factors of production in a manner than markets cannot;	the directors existing to provide companies with the access to resources that they could not gain through market or management links.	the directors acting to ensure the best interest of the shareholders are being met;
19	_____ is concerned with the branch of economics relating the behavior of principals and their agents	Financial management	Profit maximization	Agency theory	Corporate social responsibility	Agency theory
20	All constituencies with a	shareholders	stakeholders	creditors	customers	stakeholders

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	stake in the fortunes of the company are known as _____					
<b>21</b>	Corporate governance success includes three key groups. Which of the following represents these three groups?	Suppliers, managers, and customers.	Board of Directors, executive officers, and common shareholders.	Suppliers, employees, and customers.	Common shareholders, managers, and employees.	Board of Directors, executive officers, and common shareholders.
<b>22</b>	Ensuring a fair balance between an employee's contributions to the job and the rewards received in return from that job is the essence of	equity theory	expectancy theory	agency theory	contingency theory	equity theory
<b>23</b>	Which of the following theory states that the employees work hard in the job only when they are sure of positive outcomes from that job?	Equity theory	Expectancy theory	Agency theory	Contingency theory	Expectancy theory
<b>24</b>	Managers never own complete responsibility for the all the decisions made by them since they are not the owners of the business is the assumption of	Equity theory	Expectancy theory	Agency theory	Contingency theory	Agency theory
<b>25</b>	Wages which are usually positioned above the minimum wages but below the living wages are	real wages	fair wages	minimum wages	living wages	fair wages

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	described as					
<b>26</b>	The primary stakeholders are:	Customers.	Suppliers.	Shareholders.	Creditors	Shareholders.
<b>27</b>	The goal of corporate governance and business ethics education is to:	Teach students their professional accountability and to uphold their personal Integrity to society.	Change the way in which ethics is taught to students.	Create more ethics standards by which corporate professionals must operat	Increase the workload for accounting students	Create more ethics standards by which corporate professionals must operat
<b>28</b>	The corporate governance structure of a company reflects the individual companies’:	Cultural and economic system.	Legal and business system.	Social and regulatory system.	All of the above	All of the above
<b>29</b>	The internal audit function is least effective when the department:	Is non-independent.	Is competent.	Is objectiv	Exhibits integrity	Is non-independent.
<b>30</b>	Under the _____, both internal and external corporate governance mechanisms are intended to induce managerial actions that maximize profit and shareholder value	Shareholder theory.	Agency theory.	Stakeholder theory.	Corporate governance theory	Shareholder theory.
<b>31</b>	One of the objectives of the Sarbanes-Oxley Act was to	Increase the cost of compliance with federal regulations.	Force foreign companies to delist from U.S. capital market exchanges.	Improve the quality and transparency of financial reporting.	Increase the compliance burden for small companies.	Improve the quality and transparency of financial reporting.
<b>32</b>	An organization’s	Ethics	Ethics	Ethical behavior.	Consequentialist.	Ethical behavior.

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	appropriate tone at the top promoting ethical conduct is an example of:	sensitivity.	incentives.			
33	According to Cadbury (2002), corporate governance is an issue of power and:	Rights	Accountability	Profit	Appropriability	Accountability
34	The Institute of Chartered Accountants in England and Wales considers argue that one particular stakeholder group should have primacy over all other groups. Which stakeholder group are they referring to?	Customers	Managers	Shareholders	Society	Shareholders
35	The view that sees profit maximization as the main objective is known as:	Shareholder theory	Principal-agent problem	Stakeholder theory	Corporation theory	Shareholder theory
36	Who is the most famous exponent of shareholder theory?	Michael Porter	Adam Smith	Milton Friedman	Peter Drucker	Milton Friedman
37	The key protagonist of stakeholder theory is:	Adam Smith	R. E Freeman	Adrian Cadbury	E Sternberg	R. E Freeman
38	Where an organization takes into account the effect its strategic decisions have on society, this is known as:	Corporate governance	Business policy	Business ethics	Corporate social responsibility	Corporate social responsibility
39	A company is viewed as the result of more or less formal “contracts”, in which several groups make some kind of contribution to the company,	Agency theory.	Moderator of claimants theory.	Lending credibility theory.	Quasi-judicial theory.	Agency theory.

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	given a certain price' describes what theory?					
40	Which one of the following is not a theory on the demand of audit services?	Privity theory.	Theory of inspired confidence.	Agency theory.	Lending credibility theory.	Lending credibility theory.
41	Early corporate developments in India followed which theory of corporate governance?	Agency theory	Stewardship theory	Shareholder theory	Privity theory.	Agency theory
42	Which is the major theory shaping the corporate governance debate?	Stakeholder theory	Class hegemony theory	Team production theory	Agency theory	Agency theory
43	_____ is a theory of organizational management and business ethics that addresses morals and values in managing an organization	Stakeholder theory	Class hegemony theory	Team production theory	Agency theory	Stakeholder theory
44	_____ is a theory that managers, left on their own, will act as responsible stewards of the assets they control.	Agency theory	Stewardship theory	Shareholder theory	Privity theory.	Stewardship theory
45	_____ theory is an alternative view of agency theory	Agency theory	Stewardship theory	Shareholder theory	Privity theory.	Stewardship theory
46	According to the ASX Corporate Governance Council, corporate governance influences all but which of the following?	How risk is monitored and assessed.	How the company determines the issue price of its shares.	How performance is optimised.	How the objectives of the company are set and achieved	How the company determines the issue price of its shares.

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47	Stakeholder theory focuses:	more on providing value to the company's shareholders.	less on providing value to all of the company's stakeholders.	more on providing value to all of the company's stakeholders.	more on providing value to the company's directors	more on providing value to all of the company's stakeholders.
48	Milton Friedman stated his belief that 'there is only one social responsibility' for a company to use its resources to:	Ensure employment	Provide good facilities for workers	Give as much to charitable causes as possible	Increase profits so long as it stays within the rules of the game	Increase profits so long as it stays within the rules of the game
49	Which of the following statements most accurately describe the nature of an ethical issue in business	Ethical issues can be resolved if you do what you think is right	Ethical issues are difficult because the results of a decision are hard to predict	Ethical issues are difficult because all the choices may do some harm	Ethical issues can be resolved by following the guidance of religious beliefs	Ethical issues are difficult because the results of a decision are hard to predict
50	If you believe in making decisions for the good of most people, you can be described as following which school of thought?	Utilitarianism	Individualism	Moral principles	Human rights	Utilitarianism
	According to Carrol, there are four main criteria for evaluating corporate social performancWhich of the following is not one of those criteria?	Ethical responsibilities - acting to meet a wider social interest	Legal responsibilities - to follow prevailing laws	Economic responsibilities - to make sufficient profit to stay in business and provide employment	Career responsibilities -- to ensure high rewards to senior managers and directors	Economic responsibilities - to make sufficient profit to stay in business and provide employment
51	Milton Friedman argues that the justification for	Society	The stockholders	The common good	Social welfare	The stockholders

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	permitting stockholders to hire corporate executives is that an executive is an agent serving the interests of					
52	According to Friedman, the relationship between a corporate executive and a stockholder is a relationship of:	Agent to principal	Principal to agent	Agent to executive	Executive to agent	Agent to principal
53	R. Edward Freeman argues in favor of the ethical responsibility of the modern corporation in terms of:	Shareholders	Profit maximization	Stakeholders	Employee governance	Stakeholders
54	R. Edward Freeman argues that externalities, moral hazards, and monopoly power have led to more control of corporate decisions by	Capitalist values, like money-making	Socialist values, like collectivity	Internal stakeholders, like employees	Outside forces, like the government	Outside forces, like the government
55	Arrow insists that Milton Friedman's profit-maximization arguments could only work in a world of:	Rampant exploitation	Monopoly power	Voluntary contracts	Minimal market transparency	Voluntary contracts
56	Arrow argues that business might well improve its efficiency through the adoption of	A professional ethical code	An employee charter	A sales manifesto	A business plan	A professional ethical code
57	Under the _____, both internal and external corporate governance	Shareholder theory.	Agency theory.	Stakeholder theory.	Corporate governance theory	Shareholder theory.

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	mechanisms are intended to induce managerial actions that maximize profit and shareholder value					
<b>58</b>	Sustainability reporting consists of	Environmental issues.	Economic issues.	Social and environmental issues.	Economic, social and environmental issues.	Economic, social and environmental issues.
<b>59</b>	Which Theory considers the firm as an input- output model by explicitly adding all interest groups?	Sociological Theory	Agency Theory	Stake Holders Theory	Stewardship Theory	Stake Holders Theory

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**UNIT-IV**

	<b>Questions</b>	<b>Option A</b>	<b>Option B</b>	<b>Option C</b>	<b>Option D</b>	<b>Answer</b>
1	The acronym CSR stands for	Corporate Search and Rescue	Corporate Social Responsibility	Corporate Sensitive Reliability	Corporate Social Reality	Corporate Social Responsibility
2	All those who are affected by or can affect the ~perations of the organisation are known as:	Owners	interested parties	stakeholders	stockholders	stakeholders
3	The stakeholder view of social responsibility states that organisations must respond to the needs of	employees and customers	shareholders and owners	all interested parties	all those who might sue the organisation	all interested parties
4	A firm is said to have good corporate social performance when:	stockholders invest in socially responsible causes	charitable deductions are automatically deducted from pay without the consent of employees	the company has not been convicted of ethical violations for five consecutive years	stakeholders are satisfied with its level of social responsibility	stakeholders are satisfied with its level of social responsibility
5	A socially responsible mutual fund will only purchase stocks in companies that	have a no-smoking policy in place	have a culturally diverse management team	hire some job candidates who are HIV positive	have good social performance	have good social performance
6	A whistle blower is an employee who	exposes organisational wrongdoing	complains a lot to company management	engages in un-ethical behavior	referees disputes with other employees	exposes organisational wrongdoing
7	Which one of the follciwing approaches to creating an ethical and socially responsible workplace is likely to be the most powerful?	Passing out buttons with the statement "Just Say No to Bad Ethics"	Placing posters about ethics throughout the organisation	Top management acting as models of the right behavior	Including a statement about ethics and social responsibility in the employee handbook	Top management acting as models of the right behavior

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8	A recommended way of minimising unethical behaviour is for employees to	write anonymous notes to ethical violators	immediately report all suspicious behaviour to top management	spend part of their vacation preparing a personal philosophy of ethics	confront fellow employees about ethical deviations	confront fellow employees about ethical deviations
9	Corporate Social Responsibility (CSR) consists of which four kinds of responsibilities	Economic, ethical, societal, and altruistic	Economic, legal, ethical, and altruistic	Fiscal, legal, societal, and philanthropic	Economic, legal, ethical, and philanthropic	Economic, legal, ethical, and philanthropic
10	Which of the items listed is NOT a product of a "favourable corporate reputation"?	Charge more for its products and services	Attract, hire and keep higher quality applicants/employees	Enhance their access to better capital markets	Ignore the Foreign Corrupt Practices Act	Ignore the Foreign Corrupt Practices Act
11	Employee relations, philanthropy, pricing, resource conservation, product quality and safety, and doing business in countries that violate human rights are some obvious examples of	social responsibility ethics that managers must decide on a daily basis	social responsibility issues that employees must confront while at work	areas of social responsibility that influence managers, not employees	decisions that managers face that have a social responsibility dimension	decisions that managers face that have a social responsibility dimension
12	The classical view of social responsibility holds that management's only social responsibility is to	maximize organizational profits for stockholders	maximize adherence to the laws for stockholders	maximize organizational profits for stakeholders	minimize adherence to the laws for stockholders	maximize organizational profits for stockholders
13	Which of the following is associated with the classical view of social responsibility?	economist Robert Reich	concern for social welfare	stockholder financial return	voluntary activities	stockholder financial return
14	Proponents of the socioeconomic view of social responsibility believe that business organizations are	not just merely economic institutions	just merely economic institutions	to be leaders in social responsibility	not to be involved in social responsibility, but to maximize profits for stakeholders	not just merely economic institutions

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15	Applying social criteria to investment decision refers to _____	socioeconomic view	social responsiveness	social responsibility	social screening	social screening
16	_____ is defined as a business firm's obligation, beyond that required by law and economics, to pursue long-term goals that are good for society	Social obligation	Social responsibility	Social screening	Values-based management	Social responsibility
17	The most outspoken advocate of the classical view of social responsibility is economist and Nobel laureate, _____	Carnegie Milton	Charles Darwin	Milton Freeman	Milton Friedman	Milton Friedman
18	The belief that businesses should be responsible because such actions are right for their own sake is known as which argument for social responsibility?	public expectation	ethical obligation	public image	discouragement of further government regulation	ethical obligation
19	The belief that businesses that help solve difficult social problems create a desirable community and attract and keep skilled employees is known as which argument for social responsibility?	ethical obligation	public image	better environment	possession of resources	better environment
20	Carroll's model of social responsibility includes the social responsibilities categories of _____, _____, and _____ plus those at the discretion of the firm.	consumerism; discrimination; environment	ethical responsibilities; discrimination; legal responsibilities	ethical responsibilities; legal responsibilities; economic responsibilities	occupational safety; legal responsibilities; economic responsibilities	ethical responsibilities; legal responsibilities; economic responsibilities
21	Ethics are moral principles and _____	Guide a firm's	Govern the actions of	Provide employees	Are legally	Govern the actions

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	values which.....	behaviour	an individual	with rules on how to behave	enforceable	of an individual
22	CSR stands for	Customer Satisfaction Ratios	Corporate Sales Returns	Customer Sales Ratios	Corporate Social responsibility	Corporate Social responsibility
23	Truthfulness in marketing communications is an example of:	Ethics	Business ethics	Marketing ethics	Corporate Social Responsibility	Marketing ethics
24	CSR is based on _____ Theory	Stakeholder	Involvement	Ethical	Marketing	Stakeholder
25	Carroll's four part model of corporate social responsibility focuses on 4 interrelated responsibilities. Which of the following group of responsibilities is not included in this model	Economic	Legal	Ethical	Technological	Technological
26	In which dimension of CSR responsibility would you classify the issue of recycling and non wasteful packaging?	Consumer	Social and community involvements	Physical environment	Employee relations	Physical environment
27	One aim of societal marketing is to	Consider consumers needs and long-term welfare	Encourage satisfaction of short-term needs	Demand support from local communities	Form partnerships which benefit the selling organization	Consider consumers needs and long-term welfare
28	Integrity, transparency, sincerity and mutual respect are important principles for _____	e-marketing	Cause-related marketing	Reciprocal marketing	Fair trade marketing	Cause-related marketing
29	Which of the following is not a criticism of CSR	CSR is too costly	CSR encourages cynicism	CSR leads to enhanced brand reputation	CSR is misguided	CSR leads to enhanced brand reputation
30	The consumerism movement seeks to ...	Protect company's rights	Protect retailer's rights	Protect advertiser's rights	Protect consumers' rights	Protect consumers' rights

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31	If you joined Greenpeace you might be referred to by your friends as an _____	Environmentalism	Ethical economist	Philanthropist	Socialist	Environmentalism
32	Industries like to be in control and as a result prefer self-regulation to laws imposed by governments. Self regulation is often controlled by	Company law	Tribunals	Codes of practice	Common law	Codes of practice
33	The four types of social responsibility include:	legal, philanthropic, economic, and ethical	ethical, moral, social, and economic	philanthropic, justice, economic, and ethical	legal, moral, ethical, and economic	legal, philanthropic, economic, and ethical
34	The _____ dimension of social responsibility refers to a business's societal contribution of time, money, and other resources	ethical	philanthropic	volunteerism	Strategic	philanthropic
35	A stakeholder orientation includes all of the following activities except	generating data about stakeholder groups	assessing the firm's effects on stakeholder groups	X distributing stakeholder information throughout the firm	minimizing the influence of stakeholder information on the firm	minimizing the influence of stakeholder information on the firm
36	Stakeholders are considered more important to an organization when	they can make use of their power on the organization	they do not emphasize the urgency of their issues	their issues are not legitimate	they can express themselves articulately	they can make use of their power on the organization
37	Which of the following is a problem presented by ethics audits?	They may be used to reallocate resources.	They identify practises that need improvement.	Selecting auditors may be difficult.	They may pinpoint problems with stakeholder relationships.	Selecting auditors may be difficult.
38	The first step in the auditing process should be to secure the	employees.	top executives and directors.	stockholders	customers.	top executives and directors.

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	commitment of					
39	Which of the following was advanced as an argument for social responsibility?	Most organisations have social objectives implied in their legal purposes.	Since society grants rights and privileges to organisations, these should be exercised responsibly.	When social consequences are involved, managers are quite capable of making the right decisions.	Unless an organisation has social goals, it should avoid them.	Since society grants rights and privileges to organisations, these should be exercised responsibly.
40	Which of the following statements about a stakeholder is true?	Seeks to influence a key aspect of operations.	Has a meaningful stake in the organisation's performance.	Will be found in the organisation's environment.	Has made a personal financial investment in the business.	Has a meaningful stake in the organisation's performance.
41	Which of the following was not suggested as a potential benefit for the socially responsible organisation?	Being more robust in times of recession	Creating markets for environmentally friendly process technologies	Swaying public opinion	Attracting ethical investors	Being more robust in times of recession
42	Which of the following statements best describes ethics?	Ethics is concerned with how a person chooses between right and wrong.	Ethics is about values and principles.	Ethics considers how someone chooses among alternative courses of action.	Each of the above covers part of the definition.	Each of the above covers part of the definition.
43	We suggested that the domain of ethics lies between two other ill-defined and changing domains. What are they?	Coercion and personal freedom	Altruism and hedonism	Free choice and law	Altruism and enlightened self-interest	Free choice and law
44	The moral course is the one that offers the greatest good to the greatest number of people.' Which approach to ethics is this?	Utilitarian	Aristotelian	Deterministic	Unitarian	Utilitarian
45	What is whistle blowing?	Announcing a high standard of ethical behaviour to	Calling for an end to unethical practice in an organisation	Revealing unethical behaviour to superiors or	Warning colleagues of threats from unethical dealers,	Revealing unethical behaviour to superiors or

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		persuade outsiders of the benefits of dealing with an organisation		outsiders	investors and the like	outsiders
46	What, in the context of management, best describes an amoral attitude?	Relying on others to report malefactors.	Stating, 'Business is business,' and joining in.	Being blind or indifferent to moral questions.	Turning a blind eye to suspected unethical or illegal practices.	Being blind or indifferent to moral questions.
47	The hand-of-government refers to the	ability of the government to interfere in business negotiations	role of corporations to be profitable within the law	effect of national politics on business decisions	impact of changing government regulations	role of corporations to be profitable within the law
48	An organisation's obligation to act to protect and improve society's welfare as well as its own interests is referred to as	organisational social responsibility	organisational social responsiveness	corporate obligation	business ethics	organisational social responsibility
49	The view that business exists at society's pleasure and businesses should meet public expectations of social responsibility is the	iron law of responsibility argument	enlightened self-interest argument	capacity argument	anti-freeloader argument	enlightened self-interest argument
50	Managerial ethics can be characterised by all of the following levels except	immoral management	amoral management	demoral management	moral management	demoral management
51	The development of organisational decision processes where managers anticipate, respond to, and manage areas of social responsibility is	organisational social responsibility	organisational social obligations	organisational social responsiveness	organisational social welfare	organisational social responsiveness
52	The social demands and expectations of organisations can	social planning	social forecasting	social scanning	social audits	social planning

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	be assessed by all of the following except					
53	Management's social responsibilities include all of the following except	economic	caretaker	legal	Ethical	caretaker
54	Which of the following does not contribute to the development of a manager's standard of ethics?	competitor behaviours	society's norms and values	individual life experiences	environmental situations	competitor behaviours
55	A document prepared to guide organisation members when encountering ethical dilemmas is a(n)	code of conduct	list of rules and responsibilities	code of ethics	outline of expected behaviours	code of ethics
56	Corporate contributions for charitable and social responsibility purposes is called	corporate philanthropy	corporate charities	corporate donations	corporate discretionaries	corporate philanthropy
57	Corporate social responsibility that extends beyond legal mandates can help meet societal expectations in the absence of	Statutory devices	Social tool	Cost tool and Techniques	Science tool	Statutory devices
58	Which of the following is not a criticism of CSR	CSR is too costly	CSR encourages cynicism	CSR leads to enhanced brand reputation	CSR is misguided	CSR leads to enhanced brand reputation
59	A socially responsible mutual fund will only purchase stocks in companies that	have a no-smoking policy in place	have a culturally diverse management team	hire some job candidates who are HIV positive	have good social performance	have good social performance
60	Some companies are blending their corporate social responsibility initiatives with their marketing activities in what is called _____ marketing.	socially responsible	cause-related	corporate responsible	Holistic	cause-related

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UNIT-IV- CORPORATE SOCIAL RESPONSIBILITY

SYLLABUS

**Corporate Social Responsibility**-Meaning - Definition and Scope - Operationalizing Corporate Social Responsibility for sustainable development - Responsibility of various stakeholders, perspectives and initiatives, Environment and Ecology, Health and well being of society

**CORPORATE SOCIAL RESPONSIBILITY**

**MEANING**

**Corporate social responsibility (CSR, also called corporate conscience, corporate citizenship or responsible business)** is a form of corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international norms. With some models, a firm's implementation of CSR goes beyond compliance and statutory requirements, which engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law". The binary choice between 'complying' with the law and 'going beyond' the law must be qualified with some nuance. In many areas such as environmental or labor regulations, employers can choose to comply with the law, to go beyond the law, but they can also choose to not comply with the law, such as when they deliberately ignore gender equality or the mandate to hire disabled workers. There must be a recognition that many so-called 'hard' laws are also 'weak' laws, weak in the sense that they are poorly enforced, with no or little control and/or no or few sanctions in case of non-compliance. 'Weak' law must not be confused with soft law. The aim is to increase long-term profits and shareholder trust through positive public relations and high ethical standards to reduce business and legal risk by taking responsibility for corporate actions. CSR strategies encourage the company to make a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others.

Proponents argue that corporations increase long-term profits by operating with a CSR perspective, while critics argue that CSR distracts from businesses' economic role. A 2000 study compared existing econometric studies of the relationship between social and financial performance, concluding that the contradictory results of previous studies reporting positive, negative, and neutral financial impact, were due to flawed empirical analysis and claimed when the study is properly specified, CSR has a neutral impact on financial outcomes.

### **DEFINITION OF CSR**

A business organization with two or more owners can be registered as a company. They organization could start more companies to diversify into other areas of business, and thus form a group. Sometimes the word family is used for a group of companies. Thus, we have the TATA family, the Reliance family, the Infosys family, and the Sahara family. The companies that come in existence later within the group are known as the sister companies. The first company of the group is called the mother company. This demonstrates that corporations unconsciously perceive themselves as a family of people, and function in society accordingly. We may thus define CSR as one's duty towards others.

The word is formed from the two Latin terms *cum* and *pains*, and literally means breaking bread. Breaking bread is a figurative phrase for sharing a meal. CSR is precisely that, that is, to share one's wealth with others. For modern corporations, wealth and welfare go hand in hand.

Having understood the contextual meaning of CSR, let us define it as follows:

- (a) CSR is the firm's concern with the interests of society.
- (b) CSR is the dual duty of a firm towards its shareholders and stakeholders.
- (c) CSR assesses the impact of the actions of the company on not only its shareholders, but also its employees, customers, communities, and the environment.
- (d) CSR is the moral arm of corporate governance.

## OPERATIONALIZING CORPORATE SOCIAL RESPONSIBILITY FOR SUSTAINABLE DEVELOPMENT

Corporate sustainability is an approach that creates long-term stakeholder value by implementing a business strategy that considers every dimension of how a business operates in the ethical, social, environmental, cultural, and economic spheres. It also formulates strategies to build a company that fosters longevity through transparency and proper employee development.

Corporate sustainability is an evolution on more traditional phrases describing ethical corporate practice. Phrases such as corporate social responsibility (CSR) or corporate citizenship continue to be used but are increasingly superseded by the broader term *corporate sustainability*. Unlike phrases that focus on "added-on" policies, *corporate sustainability* describes business practices built around social and environmental considerations.

The phrase is derived from two key sources. The Brundtland Commission's Report, *Our Common Future*, described sustainable development as, "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". This desire to grow without damaging future generations' prospects is becoming more and more central to business philosophies. Within more academic management circles, Elkington (1997) developed the concept of the Triple Bottom Line which proposed that business goals were inseparable from the societies and environments within which they operate. Whilst short-term economic gain could be chased, a failure to account for social and environmental impacts would make those business practices unsustainable.

Measuring corporate sustainability is possible through composite indicators which aggregate environmental, social, corporate governance and economic measures, e.g. Complex Performance Indicator (CPI).

## RESPONSIBILITY OF VARIOUS STAKEHOLDERS

These stakeholder groups form the basis of success and failure of the business. Stakeholders are individuals or groups that have interests, rights, or ownership in an organization and its activities. Customers, suppliers, employees, and shareholders are example of primary stakeholder groups. Each has interest in how an organization performs or interacts with them. These stakeholder groups can benefit from a company's success and can be harmed by its mistakes.

Secondary stakeholders are also important because they can take action that can damage or assist the organization. Secondary stakeholders include governments (especially through regulatory agencies), unions, nongovernmental organizations (NGOs), activities, political action groups, and the media.

In orders to serve their stakeholders in an ethical and social manner, more and more organizations are adapting the model of corporate social responsibility. The term Corporate Social Responsibility goes by many other terms such as corporate citizenship, responsible business or simply corporate responsibility.



### Stakeholders of Organization

When an organization builds ethical and social elements in its operating philosophy and integrate them in its business model, it is said to have possessed a self-regulating mechanism that guides,

monitor and ensure its adherence to law, ethics, and norms in carrying out business activities that ensures the serving the interest of all external and internal stakeholders. In other words, the objective of being socially responsible business is achieved when its activities meet or exceed the expectations of all its stakeholders.

Here is a model for evaluating an organization's social performance. The model indicates that total corporate social responsibility can be subdivided into four criteria-economic, legal, ethical and discretionary responsibilities.

These responsibilities are ordered from bottom to top in the following illustration. Let's discuss each one them briefly.



### Economic responsibilities:

The first criterion of social responsibility is **economic responsibility**. The business institution is, above all, the basic economic unit of society. Its responsibility is to produce goods and services that a

society wants and to maximise profit for its owners and shareholders. Economic responsibilities, carried to the extreme, is called **profit-maximizing view**; it was advocated by Nobel economist Milton Friedman. This view argued that a company should be operated on a profit-oriented basis, with its sole mission to increase its profits so long as it stays within the rule of the game.

The purely profit-maximizing view is no longer considered an adequate criterion of performance in the world in general. Treating economic gain in the social as the only social responsibility can lead companies into trouble.

### **Legal responsibilities**

All modern societies lay down ground rules, laws and regulations that businesses are expected to follow. **Legal responsibility** defines what society deems as important with respect to appropriate corporate behavior. Businesses are expected to fulfil their economic goals within the legal framework. Legal requirements are imposed by local councils, state and federal governments and their regulating agencies. Organizations that knowingly break the law are poor performers in this category. Intentionally manufacturing defective goods or billing a client for work not done is illegal. Legal sanctions may include embarrassing public apologies or corporate 'confessions'.

**Ethical responsibility** include behavior that is not necessarily codified into law and may not serve the organization's direct economic interests. To be ethical, organization's decision makers should act with equity, fairness and impartiality, respect the rights of individuals, and provide different treatments of individual only when differences between them are relevant to the organization's goals and tasks. **Unethical** behavior occurs when decisions enable an individual or organization to gain expense of society.

Discretionary responsibility is purely voluntary and guided by an organization's desire to make social contributions not mandated by economics, laws or ethics. Discretionary activities include generous philanthropic contributions that offer no payback to the organization and are not expected. Discretionary responsibility is the highest criterion of social responsibility, because it goes beyond societal expectations to contribute to the community's welfare.

### **INITIATIVES**

Corporate social responsibility includes six types of corporate social initiatives;<sup>[38]</sup>

- Corporate philanthropy: Company donations to charity, including cash, goods, and services, sometimes via a corporate foundation
- Community volunteering: Company-organized volunteer activities, sometimes while an employee receives pay for pro-bono work on behalf of a non-profit organization
- Socially-responsible business practices: Ethically produced products which appeal to a customer segment
- Cause promotions: Company-funded advocacy campaigns
- Cause-related marketing: Donations to charity based on product sales
- Corporate social marketing: Company-funded behavior-change campaigns

All six of the corporate initiatives are forms of corporate citizenship. But only some of those CSR activities rise to the level of cause marketing, defined as: "A type of corporate social responsibility (CSR) in which a company's promotional campaign has the dual purpose of increasing profitability while bettering society."<sup>[39]</sup>

Companies generally do not have a profit motive when participating in corporate philanthropy and community volunteering. On the other hand, the remaining corporate social initiatives can be examples of cause marketing, in which there is both a societal interest and profit motive.

## **PERSPECTIVES**

“Businesses have changed when the public came to expect and require different behavior predict that in the future, just as in the past, changes in public attitudes will be essential for changes in businesses' environmental practices”. *Jared Diamond, "Big businesses and the environment"*

Most consumers agree that while achieving business targets, companies should do CSR at the same time. Most consumers believe companies doing charity work will receive a positive response. Somerville also found that consumers are loyal and willing to spend more on retailers that support charity. Consumers also believe that retailers selling local products will gain loyalty. Smith (2013) shares the belief that marketing local products will gain consumer trust. However, environmental efforts are receiving negative views given the belief that this would affect customer service. Oppewal et al. (2006) found that not all CSR activities are attractive to consumers. They recommended that retailers focus on one activity. Becker-Olsen (2006) found that if the social initiative done by the company is not aligned with other company goals it will have a negative impact. Mohr et al. (2001) and Groza et al. (2011) also emphasise the importance of reaching the consumer.

## **ENVIRONMENT AND ECOLOGY**

Corporate Social Responsibility is like a social regulation which is integrated into the business model of the company. It is considered to be very important for any company and hence adhering to the requirement of the same is very important for any organization. CSR policy of the company is considered to be self regulator and hence it can help in adherence to the spirit of law, follow all ethical standards and are subjected to best international norms. Sometimes critics have questioned whether the practice of CSR is only window dressing or an extension of the arms of the business under social norms. Closely linked with the concept of CSR is the ecology. Since an organization works in an ecosystem there has always been a close connection with the whole ecology of the same (Andersen, 2009). The objective of the CSR practice should be to minimize the impact of the company on the environment. It has been seen that many companies have focused on good raw material procurement which will result in

lower industrial waste and hence minimizing the impact on the environment. However it has been seen that most organization tends to focus towards the end of the production process and miss out on the main areas of concern. Industry ecology and its relation with the practice of CSR focus on creating optimization at each level of the groupings which exist in the company. The strategy involves exchange of industrial residues wherever possible, it has been seen that residue for someone can actually be the raw material for the other company. There has also been increased stress in this ecological system on usage of shared services, recycling, rainwater harvesting, and valorization of the some of the by-products.

Governments have also aided such CSR by creating industrial parks where exchange of services and products can be easily achieved without major increase in cost. Corporate Social Responsibility is a voluntary initiative, however many corporate have used the same for huge brand building exercise. The objective of the CSR is to provide the environment in turn of the damage the companies tend to do in the normal course of the business. Organization and the major stakeholders have taken a major step towards working out the strategy of CSR and then implemented it across organization (Andersen, 2009). In the 21<sup>st</sup> century corporations are also becoming involved in this because customers across the value chain are becoming quite sensitive towards the environment and ecology. A person with kids includes a stake throughout long term ages and also the power with the natural environment to aid living. However ecological beneficial exercise is also regarding small business proficiency -- it's about the best by using valuable unprocessed trash, in addition to eating the advantages of action straight right through to the underside range.

What is considered environmentally friendly important thing of one's processes? The response is usually tangled up throughout the amount of strength you use -- and also the info this strength work with makes towards troubles such as local weather transform. It's tangled up throughout the method that you origin your own unprocessed trash -- in addition to precisely what is the actual effect when the environment of their removal? It's tangled up throughout the amount of mineral water you use. And it's also underlined by means of the amount of ecological possibility people get. In case you go wrong, the

prices might be high. The requirement regarding international action is usually significantly primary governing bodies to commence for you to price tag higher via taxation the assets which need preserving. Sustain attachment to these assets too much time, and you can come across competitors causing people driving. An evergrowing system associated with ecological laws also threatens for you to give you fees as well as a destroyed popularity for almost any ecological mishaps on a single of one's sites. And also whatever the case, in case you have not researched your own method to spot exactly where spend happens, you will be most likely burning off on about 1% of one's entire turnover that is changed straight from your garbage ton to the important thing (Andersen, 2009).

Few of the individuals pressing enterprise to CSR include:

**1. The actual downsizing part of federal government**

In the past, government authorities have got relied with laws in addition to rules to supply sociable in addition to environmental objectives in the commercial field. Becoming less federal government assets, as well as any suspicion of rules, possesses resulted in the actual exploration of non-reflex in addition to non-regulatory initiatives alternatively.

**2. Requirements pertaining to larger disclosure**

We have a expanding requirement pertaining to corporate and business disclosure through stakeholders, such as buyers, vendors, staff, towns, traders, in addition to activist organizations.

**3. Improved buyer attention**

There exists facts that this honorable carryout of firms exerts an expanding effect about the paying for decisions of buyers. In a new questionnaire by simply Environics Global, many throughout five customers described possessing sometimes paid as well as punished firms based on the perceived sociable effectiveness.

### **5. Growing trader force**

People usually are modifying the direction they assess companies' effectiveness, and are also doing decisions based on requirements which include honorable worries. The actual Interpersonal Investment Online community reports that will in the united states throughout 1999, there seemed to be over \$2 trillion worthy of of resources purchased portfolios that will utilised displays from the natural environment in addition to sociable responsibility. A different questionnaire by simply Environics Global disclosed that will greater than a 1 / 4 of share-owning People in America had taken under consideration honorable criteria whenever dealing shares.

### **5. Reasonably competitive time marketplaces**

Staff members usually are increasingly searching past salaries in addition to benefits, in addition to seeking out business employers whose philosophies in addition to managing techniques match their very own principles. So as to use in addition to retain qualified staff, firms are being compelled to enhance operating problems.

## **HEALTH AND WELL BEING OF SOCIETY**

Health is increasingly becoming a focal point of Corporate Social Responsibility (CSR), largely due to the recognition that a healthy workforce and community are fundamental to the longevity of a business and success of an economy. Subsequently, this blog focuses on CSR health initiatives implemented by global corporations as part of their CSR programs. Many corporations typically implement CSR health initiatives organized along internal and external lines, often complementing and extending their business operations. Internal strategies may be implemented to improve the working environment, to reduce negative externalities or to establish access to facilities that are of relevance to the corporation's demographic and risk profile.

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For example, as part of a wider CSR strategy Rio Tinto, a global mining corporation, developed an Employee Well-Being Program which is comprised of three elements: An Occupational Health Management Program, an Occupational Hygiene Monitoring Program, and an Occupational Medical Surveillance Program, which aim to promote and maintain employees' physical, mental, and social well-being. In line with this, operations at Rio Tinto Iron Ore Company of Canada (IOC) work with the provincial government and union to ensure occupational dust control on site to minimize health risks associated with excess dust.

Similarly, Glaxo Wellcome Manufacturing Pte Ltd Singapore, an organization making products for GlaxoSmithKline (GSK), offers free comprehensive health screening, opportunities for physical activity, and an improved canteen (offering a variety of healthy foodstuffs and take-away arrangements) to its employees. Subsequently, the organization has recorded significant changes in employee health and productivity. External CSR health initiatives may be introduced to mitigate risks and / or to extend benefits to the environment and communities. In many cases there is a synergy between the internal and external strategies and very often they are shaped by the nature of the business itself.

For example, Alliance Boots, an international pharmacy-led health and beauty group, has an internal strategy that has seen the introduction of the 'We Care About Your Health' program, designed in collaboration with Dutch health insurer CZ and which provides access to online courses about healthy living. The corporation's external strategy extends this, offering various health-driven programs including: 'BootsWebMD', a consumer health and wellbeing information portal (in partnership with WebMD). Danone, a French multi-national corporation operating within the food and drink manufacturing industry, delivers CSR through a number of country-specific food and health-related campaigns, such as 'Eat Like a Champ' in the UK and 'Mum, Dad, I Prefer Water!' in Poland. However, many corporations' CSR health initiatives are beyond their industry knowledge. For example, the Emirates and its similarly named airline foundation offer the extended community a 'floating' hospital called The Emirates Friendship Hospital Ship, to provide medical assistance to people affected by monsoon flooding in the most deprived region of Bangladesh.

## **CONFLICTING OUTLOOKS ON CSR**

Corporate governance serves the shareholders as well as the stakeholders. The role of the shareholders is quite obvious. Whereas the stakeholders are often questioned as to why they should be treated at par with the shareholders. However, without the stakeholders, the logic of business is futile. For, the stakeholders are the employees, the suppliers, the marketers, and the customers; and all of them, including the shareholders, from the community. If the community at large is served, the company has the benefit of serving its shareholders, immediate stakeholders, and distant stakeholders.

Shareholders outlook — Conservative thinkers such as Milton Freedman strictly follow the theory proposed in *The Wealth of Nations* by Adam Smith, and propose that the business of business is business. The only business of a corporation is to perform its fundamental duty, which is to conduct business efficiently and justify it with profits, which is the return on investments of the shareholders. The best from of CSR for a company is to provide the best of products and services to its customers. It is wise to leave social duties to those who are entrusted with it, such as the government and other institutions within the community. Business institutions should not meddle in the business of others.

Stakeholder outlook – In contrast to the above view, what we must realize is that we have come a long way in history since Adam Smith’s world and the guidance of the “invisible hand”. If the law of reason tells us that if things happen, they do happen for a reason. All human activity has a moral dimension because they proceed from one’s intentions or free will. Business decisions are highly moral decisions, as they affect the lives of people.

## **MORAL ARGUMENTS FOR CSR**

We cannot see the woods for trees when we are bombarded with the imperatives of CSR. The entire media appears to come down on those companies who are not known much for CSR. Corporations, it appears, are sometimes forced into CSR because insiders and strategy consultants tell them that it is in vogue, and it is a very good strategy. If Bill and Melinda Gates have gone in for founding the largest non-profit foundation for healthcare, then others cannot be left behind. The CSR activities of the company make those CEOs who put the mantra of ‘giving back to society’ highly

visible. Then, there are impressive and famous foundations such as Fords and Carnegie, and , in India, the Birla trusts, the TATA charitable institutions, etc. however, for-profit institutions are a sine qua non for the economic well-being of a society. All these catapult the corporations as ‘good corporate citizens’. Can there be a reasonable and convincing argument in favor of CSR in such a confused scenario? Let us now discuss why CSR is relevant, and therefore desirable.

### **CSR is natural**

There is a relationship of dependence between corporations and communities. Corporations are, in fact, creatures of the community. Corporations are formed and given a legal existence through real persons, who have also made sure that the corporations will have permanency of existence beyond the biological lives of its members. Therefore, it behaves that corporations work naturally for the community. Thus, CSR is a natural response to community.

### **CSR as Duty**

Corporations cannot say that their business is only to attend to their own business Research & Communication of Methodology and earn profits for shareholders. It is the community that supplies the infrastructure, employee, and security, legal protection, and several other services, both tangible and intangible, and corporations cannot ignore this fact. On the contrary, corporations are guilty of misusing natural and human resources, polluting the environment, and causing various crises in society. It is the duty of corporations to mitigate the damages that they have done, stop perpetrating further damage to the environment, give equal pay for equal work without gender discrimination, maintain safety and security at the workplace, and maintain confidentiality. There are the first and essential duties of CSR. Further, though philanthropy and social work are welcome, it has a good CSR programme that will help corporations reap rich rewards by building a better brand, perhaps at costs lesser than what is spent on advertising and marketing. Thus, CSR is not a favor done to society. It is a bounden duty to be performed.

### **CSR with Conscience**

People live by their conscience. Corporations, which are association of the people, have collective conscience, whereby all their decision express this moral quality. Thus, for instance, letting out untreated effluents, paying unjust wages. Rigging the price, giving false information, deceiving the

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market regulator, etc are sins against conscience. In a similar fashion, the behavior in the community exhibits the conscience of corporation. CSR is a visible image of the conscience of the corporation.

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***UNIT 4- POSSIBLE QUESTIONS***

**2 Marks Questions**

1. Define Corporate Social Responsibility.
2. What is code of conduct?
3. Give any two practical benefits of ethics.
4. What are the characteristics of Business Ethics?
5. Define Corporate Governance.

**8 Marks Questions**

1. State and explain the mechanisms of Corporate Governance.
2. Explain the Ethical aspects of Corporate Governance.
3. Discuss the performance of corporate governance and related issues.
4. Discuss the benefits of implementation of CSR in business.
5. What are the arguments for social responsibility?
6. Discuss Corporate Social Responsibility towards health and well-being of society
7. Discuss various responsibilities of stakeholders and initiatives to be taken by them towards CSR
8. Discuss the benefits of implementation of CSR in business.
9. Discuss the performance of Corporate Governance and related issues.

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	<b>Questions</b>	<b>Option A</b>	<b>Option B</b>	<b>Option C</b>	<b>Option D</b>	<b>Answer</b>
1	The acronym CSR stands for	Corporate Search and Rescue	Corporate Social Responsibility	Corporate Sensitive Reliability	Corporate Social Reality	Corporate Social Responsibility
2	All those who are affected by or can affect the ~perations of the organisation are known as:	Owners	interested parties	stakeholders	stockholders	stakeholders
3	The stakeholder view of social responsibility states that organisations must respond to the needs of	employees and customers	shareholders and owners	all interested parties	all those who might sue the organisation	all interested parties
4	A firm is said to have good corporate social performance when:	stockholders invest in socially responsible causes	charitable deductions are automatically deducted from pay without the consent of employees	the company has not been convicted of ethical violations for five consecutive years	stakeholders are satisfied with its level of social responsibility	stakeholders are satisfied with its level of social responsibility
5	A socially responsible mutual fund will only purchase stocks in companies that	have a no-smoking policy in place	have a culturally diverse management team	hire some job candidates who are HIV positive	have good social performance	have good social performance
6	A whistle blower is an employee who	exposes organisational wrongdoing	complains a lot to company management	engages in un-ethical behavior	referees disputes with other employees	exposes organisational wrongdoing
7	Which one of the follciwing approaches to creating an ethical and socially responsible workplace is likely to be the most powerful?	Passing out buttons with the statement "Just Say No to Bad Ethics"	Placing posters about ethics throughout the organisation	Top management acting as models of the right behavior	Including a statement about ethics and social responsibility in the employee handbook	Top management acting as models of the right behavior

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8	A recommended way of minimising unethical behaviour is for employees to	write anonymous notes to ethical violators	immediately report all suspicious behaviour to top management	spend part of their vacation preparing a personal philosophy of ethics	confront fellow employees about ethical deviations	confront fellow employees about ethical deviations
9	Corporate Social Responsibility (CSR) consists of which four kinds of responsibilities	Economic, ethical, societal, and altruistic	Economic, legal, ethical, and altruistic	Fiscal, legal, societal, and philanthropic	Economic, legal, ethical, and philanthropic	Economic, legal, ethical, and philanthropic
10	Which of the items listed is NOT a product of a "favourable corporate reputation"?	Charge more for its products and services	Attract, hire and keep higher quality applicants/employees	Enhance their access to better capital markets	Ignore the Foreign Corrupt Practices Act	Ignore the Foreign Corrupt Practices Act
11	Employee relations, philanthropy, pricing, resource conservation, product quality and safety, and doing business in countries that violate human rights are some obvious examples of	social responsibility ethics that managers must decide on a daily basis	social responsibility issues that employees must confront while at work	areas of social responsibility that influence managers, not employees	decisions that managers face that have a social responsibility dimension	decisions that managers face that have a social responsibility dimension
12	The classical view of social responsibility holds that management's only social responsibility is to	maximize organizational profits for stockholders	maximize adherence to the laws for stockholders	maximize organizational profits for stakeholders	minimize adherence to the laws for stockholders	maximize organizational profits for stockholders
13	Which of the following is associated with the classical view of social responsibility?	economist Robert Reich	concern for social welfare	stockholder financial return	voluntary activities	stockholder financial return
14	Proponents of the socioeconomic view of social responsibility believe that business organizations are	not just merely economic institutions	just merely economic institutions	to be leaders in social responsibility	not to be involved in social responsibility, but to maximize profits for stakeholders	not just merely economic institutions

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15	Applying social criteria to investment decision refers to _____	socioeconomic view	social responsiveness	social responsibility	social screening	social screening
16	_____ is defined as a business firm's obligation, beyond that required by law and economics, to pursue long-term goals that are good for society	Social obligation	Social responsibility	Social screening	Values-based management	Social responsibility
17	The most outspoken advocate of the classical view of social responsibility is economist and Nobel laureate, _____	Carnegie Milton	Charles Darwin	Milton Freeman	Milton Friedman	Milton Friedman
18	The belief that businesses should be responsible because such actions are right for their own sake is known as which argument for social responsibility?	public expectation	ethical obligation	public image	discouragement of further government regulation	ethical obligation
19	The belief that businesses that help solve difficult social problems create a desirable community and attract and keep skilled employees is known as which argument for social responsibility?	ethical obligation	public image	better environment	possession of resources	better environment
20	Carroll's model of social responsibility includes the social responsibilities categories of _____, _____, and _____ plus those at the discretion of the firm.	consumerism; discrimination; environment	ethical responsibilities; discrimination; legal responsibilities	ethical responsibilities; legal responsibilities; economic responsibilities	occupational safety; legal responsibilities; economic responsibilities	ethical responsibilities; legal responsibilities; economic responsibilities
21	Ethics are moral principles and _____	Guide a firm's	Govern the actions of	Provide employees	Are legally	Govern the actions

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	values which.....	behaviour	an individual	with rules on how to behave	enforceable	of an individual
22	CSR stands for	Customer Satisfaction Ratios	Corporate Sales Returns	Customer Sales Ratios	Corporate Social responsibility	Corporate Social responsibility
23	Truthfulness in marketing communications is an example of:	Ethics	Business ethics	Marketing ethics	Corporate Social Responsibility	Marketing ethics
24	CSR is based on _____ Theory	Stakeholder	Involvement	Ethical	Marketing	Stakeholder
25	Carroll's four part model of corporate social responsibility focuses on 4 interrelated responsibilities. Which of the following group of responsibilities is not included in this model	Economic	Legal	Ethical	Technological	Technological
26	In which dimension of CSR responsibility would you classify the issue of recycling and non wasteful packaging?	Consumer	Social and community involvements	Physical environment	Employee relations	Physical environment
27	One aim of societal marketing is to	Consider consumers needs and long-term welfare	Encourage satisfaction of short-term needs	Demand support from local communities	Form partnerships which benefit the selling organization	Consider consumers needs and long-term welfare
28	Integrity, transparency, sincerity and mutual respect are important principles for _____	e-marketing	Cause-related marketing	Reciprocal marketing	Fair trade marketing	Cause-related marketing
29	Which of the following is not a criticism of CSR	CSR is too costly	CSR encourages cynicism	CSR leads to enhanced brand reputation	CSR is misguided	CSR leads to enhanced brand reputation
30	The consumerism movement seeks to ...	Protect company's rights	Protect retailer's rights	Protect advertiser's rights	Protect consumers' rights	Protect consumers' rights

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31	If you joined Greenpeace you might be referred to by your friends as an _____	Environmentalism	Ethical economist	Philanthropist	Socialist	Environmentalism
32	Industries like to be in control and as a result prefer self-regulation to laws imposed by governments. Self regulation is often controlled by	Company law	Tribunals	Codes of practice	Common law	Codes of practice
33	The four types of social responsibility include:	legal, philanthropic, economic, and ethical	ethical, moral, social, and economic	philanthropic, justice, economic, and ethical	legal, moral, ethical, and economic	legal, philanthropic, economic, and ethical
34	The _____ dimension of social responsibility refers to a business's societal contribution of time, money, and other resources	ethical	philanthropic	volunteerism	Strategic	philanthropic
35	A stakeholder orientation includes all of the following activities except	generating data about stakeholder groups	assessing the firm's effects on stakeholder groups	X distributing stakeholder information throughout the firm	minimizing the influence of stakeholder information on the firm	minimizing the influence of stakeholder information on the firm
36	Stakeholders are considered more important to an organization when	they can make use of their power on the organization	they do not emphasize the urgency of their issues	their issues are not legitimate	they can express themselves articulately	they can make use of their power on the organization
37	Which of the following is a problem presented by ethics audits?	They may be used to reallocate resources.	They identify practises that need improvement.	Selecting auditors may be difficult.	They may pinpoint problems with stakeholder relationships.	Selecting auditors may be difficult.
38	The first step in the auditing process should be to secure the	employees.	top executives and directors.	stockholders	customers.	top executives and directors.

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	commitment of					
39	Which of the following was advanced as an argument for social responsibility?	Most organisations have social objectives implied in their legal purposes.	Since society grants rights and privileges to organisations, these should be exercised responsibly.	When social consequences are involved, managers are quite capable of making the right decisions.	Unless an organisation has social goals, it should avoid them.	Since society grants rights and privileges to organisations, these should be exercised responsibly.
40	Which of the following statements about a stakeholder is true?	Seeks to influence a key aspect of operations.	Has a meaningful stake in the organisation's performance.	Will be found in the organisation's environment.	Has made a personal financial investment in the business.	Has a meaningful stake in the organisation's performance.
41	Which of the following was not suggested as a potential benefit for the socially responsible organisation?	Being more robust in times of recession	Creating markets for environmentally friendly process technologies	Swaying public opinion	Attracting ethical investors	Being more robust in times of recession
42	Which of the following statements best describes ethics?	Ethics is concerned with how a person chooses between right and wrong.	Ethics is about values and principles.	Ethics considers how someone chooses among alternative courses of action.	Each of the above covers part of the definition.	Each of the above covers part of the definition.
43	We suggested that the domain of ethics lies between two other ill-defined and changing domains. What are they?	Coercion and personal freedom	Altruism and hedonism	Free choice and law	Altruism and enlightened self-interest	Free choice and law
44	The moral course is the one that offers the greatest good to the greatest number of people.' Which approach to ethics is this?	Utilitarian	Aristotelian	Deterministic	Unitarian	Utilitarian
45	What is whistle blowing?	Announcing a high standard of ethical behaviour to	Calling for an end to unethical practice in an organisation	Revealing unethical behaviour to superiors or	Warning colleagues of threats from unethical dealers,	Revealing unethical behaviour to superiors or

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		persuade outsiders of the benefits of dealing with an organisation		outsiders	investors and the like	outsiders
46	What, in the context of management, best describes an amoral attitude?	Relying on others to report malefactors.	Stating, 'Business is business,' and joining in.	Being blind or indifferent to moral questions.	Turning a blind eye to suspected unethical or illegal practices.	Being blind or indifferent to moral questions.
47	The hand-of-government refers to the	ability of the government to interfere in business negotiations	role of corporations to be profitable within the law	effect of national politics on business decisions	impact of changing government regulations	role of corporations to be profitable within the law
48	An organisation's obligation to act to protect and improve society's welfare as well as its own interests is referred to as	organisational social responsibility	organisational social responsiveness	corporate obligation	business ethics	organisational social responsibility
49	The view that business exists at society's pleasure and businesses should meet public expectations of social responsibility is the	iron law of responsibility argument	enlightened self-interest argument	capacity argument	anti-freeloader argument	enlightened self-interest argument
50	Managerial ethics can be characterised by all of the following levels except	immoral management	amoral management	demoral management	moral management	demoral management
51	The development of organisational decision processes where managers anticipate, respond to, and manage areas of social responsibility is	organisational social responsibility	organisational social obligations	organisational social responsiveness	organisational social welfare	organisational social responsiveness
52	The social demands and expectations of organisations can	social planning	social forecasting	social scanning	social audits	social planning

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	be assessed by all of the following except					
53	Management's social responsibilities include all of the following except	economic	caretaker	legal	Ethical	caretaker
54	Which of the following does not contribute to the development of a manager's standard of ethics?	competitor behaviours	society's norms and values	individual life experiences	environmental situations	competitor behaviours
55	A document prepared to guide organisation members when encountering ethical dilemmas is a(n)	code of conduct	list of rules and responsibilities	code of ethics	outline of expected behaviours	code of ethics
56	Corporate contributions for charitable and social responsibility purposes is called	corporate philanthropy	corporate charities	corporate donations	corporate discretionaries	corporate philanthropy
57	Corporate social responsibility that extends beyond legal mandates can help meet societal expectations in the absence of	Statutory devices	Social tool	Cost tool and Techniques	Science tool	Statutory devices
58	Which of the following is not a criticism of CSR	CSR is too costly	CSR encourages cynicism	CSR leads to enhanced brand reputation	CSR is misguided	CSR leads to enhanced brand reputation
59	A socially responsible mutual fund will only purchase stocks in companies that	have a no-smoking policy in place	have a culturally diverse management team	hire some job candidates who are HIV positive	have good social performance	have good social performance
60	Some companies are blending their corporate social responsibility initiatives with their marketing activities in what is called _____ marketing.	socially responsible	cause-related	corporate responsible	Holistic	cause-related

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**UNIT-V**

S.NO	Questions	Option A	Option B	Option C	Option D	Answer
1	Which of the following statements best describes Corporate Social Responsibility?	A corporation's requirement to make as much profit as possible.	A corporation's obligation to society that goes beyond the requirements of the law and economics to take into account the social and environmental impact of its decisions.	A corporation's obligation to consider the impact of its decisions on the environment.	The duty of care a corporation has to its employees and customers	A corporation's obligation to society that goes beyond the requirements of the law and economics to take into account the social and environmental impact of its decisions.
2	Which of the following arguments was not put forward by Friedman in his criticism of the idea of CSR	Managers are not experts in social welfare or in dealing with environmental problems.	Managers are the agents of the owners and should act in their best interest.	Corporations have responsibilities.	Using funds for purposes other than profit maximisation would be undemocrati	Corporations have responsibilities.
3	Which of this is not a CSR initiative	maintaining a plant to recycle waste	organizing sports meet for the employees	Sell products with a margin to the cost to increase profits.	organizing blood donation camps	Sell products with a margin to the cost to increase profits.
4	What is the moral argument for CSR	That the corporation is a creation of society and should therefore serve its needs.	Business decisions will have social and environmental consequences which will be addressed by governments.	That the corporation is a legal creation and therefore cannot be a moral agent.	Large corporations do not have the power or resources to address society's problems	That the corporation is a creation of society and should therefore serve its needs.
5	What is the business case for	Better	Increased brand	The maintenance of	All of these	All of these

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	CSR	motivated staff reduce operating costs.	value and reputation.	the		
6	What is triple bottom line	A management strategy which states all the attention should be on profits.	An accounting tool that looks at the impact on people, planet and profits.	An accounting tool that looks at cost, profit and loss.	A management strategy which focuses on corporate social responsibility	An accounting tool that looks at the impact on people, planet and profits.
7	_____ refers to a strategic process involving stakeholder assessment to create long-term relationships with customers, while maintaining, supporting, and enhancing the natural environment.	Eco-strategy	Green marketing	Superfund reauthorization	Recycle and reprocess management	Green marketing
8	Which of the following is NOT one of the primary elements of a strong organizational compliance program?	A written code of conduct	An ethics officer	Significant financial expenditures	A formal ethics training program	Significant financial expenditures
9	The ability to interpret and adapt successfully to different national, organizational, and professional cultures is called:	national competitiveness.	global development.	cultural intelligence.	stakeholder sensitivity.	cultural intelligence.
10	Successful global initiatives addressing standards for business must begin and end with:	the role of corporate governance and shareholder	social activism.	the implementation of standardized ethics programs.	the consolidation of economic and environmental efforts.	the role of corporate governance and shareholder power in corporate decision making.

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		power in corporate decision making.				
11	Achieving cultural intelligence is not necessary to achieve social responsibility.	True	FALSE	Maybe	None of these	FALSE
12	The social economy partnership philosophy emphasizes:	cooperation and assistance.	profit maximization.	competition.	restricting resources and support.	cooperation and assistance.
13	Which of the following is not a driver of responsible competitiveness?	Policy drivers	Development drivers	Business action	Social enablers	Development drivers
14	In the past, the community relations function was deemed a(n) _____ between the organization and its immediate community.	buffer	distraction	irritation	strategic necessity	buffer
15	A firm that has become a "neighbour of choice" builds and sustains _____ within the community	commitment	trust	educational opportunities	political clout	trust
16	To determine key areas that require support and to refine the mission statement, a company should periodically conduct	a community needs assessment.	effective governance.	cause-related marketing.	community field trips.	a community needs assessment.
17	The community relations function should develop community mission statements, assess opportunities, and identify priorities for the types of	consistently privileging one stakeholder group.	considering only internal constituents.	remaining independent of all stakeholder groups.	cooperating with various internal and external constituents.	cooperating with various internal and external constituents.

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	contributions a business will make by:					
18	"Ethics deals with the right actions of individuals." Who said?	Peter F. Drucker	S. Rao	J. R. Betty	Zahe	Peter F. Drucker
19	An organisation's obligation to act to protect and improve society's welfare as well as its own interests is referred to as	organisational social responsibility	organisational social responsiveness	corporate obligation	business ethics	organisational social responsibility
20	Corporate contributions for charitable and social responsibility purposes is called	corporate philanthropy	corporate charities	corporate donations	corporate discretionaries	corporate philanthropy
21	Human and ethical values or qualities such as courage, vision, social awareness, fearlessness, integrity, pure and clear mind, truth et, are subjective subtle and	Intangible concepts	Subjective approach	Tangible concepts	System	Intangible concepts
22	Managers today are usually quite sensitive to issues of social responsibility and ethical behaviour because of _____.	interest groups	legal and governmental concerns	media coverage	all of the above	all of the above
23	In between the corporate extremes of working solely for the interests of stockholders and working to solve social problems is the position of being _____.	socially reactive	environmentally sensitive	professionally committed	ecologically proactive	socially reactive
24	A stakeholder can best be defined as:	The network of people who come into	All the organisations that work with a	All the suppliers, customers and employees of a	Any individual, group, or organisation that	Any individual, group, or organisation that is affected by or can affect

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		contact with a business.	business.	business.	is affected by or can affect the activities of a business.	the activities of a business.
25	Which of the following form part of the business case for CSR?	Better motivated staff reduce operating costs.	Increased brand value and reputation.	The maintenance of the 'licence to operate'.	All of the options given.	All of the options given.
26	The most influential theory of corporate responsibility of the past century is:	The moral minimum model.	The classical model.	The social contract theory.	The stakeholder theory.	The classical model.
27	Which concerns does CSR address?	Moral & Ethical	Social & Environmental	Legal & Regulatory	Monetary & Profit	Social & Environmental
28	Which of the following stakeholders are interested in CSR?	customers & communities	investors	employees	Everyone	Everyone
29	A philanthropist is someone who	buys products which have a positive impact on society	boycotts products which have a negative impact on society	both ( and (	recognises the social impact of business on society	recognises the social impact of business on society
30	Effective management of long-term cooperative relationship necessitates that managers recognize the	global importance of profit	global impact of business competitiveness among large corporations	global interdependence of economies and environments	need to maximize profits in all economic settings	global interdependence of economies and environments
31	In Carroll's model, a company with a(an) _____ philosophy will put in the extra effort to fulfill discretionary responsibilities, whereas a company with a(an) _____	activist; economic	proactive; economic	defensive; activist	defensive; proactive	defensive; proactive

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	_____ philosophy will not be concerned beyond its legal responsibilities.					
32	Which principle suggests that a businessman should be guided by the 'service motto' in all his acts and decisions?	Principle of Aspirit of Service	Principle of Expectations	Principle of Human Dignity	Principle of Autonomy	Principle of Aspirit of Service
33	The Indian ethos is for the individual self to become aware, develop and contribute social welfare by linking yourself to the _____	Customs	Business	Cooperation and planning	Society	Customs
34	The concept of international social responsibility is the expectation that MNCs concern themselves about _____ effects of their decisions regarding activities in other countries.	philosophical	competitive	environmental	social and economic	social and economic
35	Global corporate culture involves an integration of _____ in which firms currently operate.	business environments	ecological environments	profit environments	technical environments	business environments
36	Benefits derived from social responsibility include _____	enhanced organizational efficiency	producing better products	attracting people who want to work for the firm	both a & b	both a & b
37	Corporate social responsibility has three components according to professors Basu and Palazzo: _____	cognitive, linguistic, and cognitive	ethical, social, authoritative	reflective, analytic, corporative	conceptual, sensing, assertive	cognitive, linguistic, and cognitive
38	Which of the following is NOT an influence on organisational purposes?	Minor stakeholders.	Business ethics.	Corporate governance.	The organisational mission.	The organisational mission.
39	The governance framework _____	Whom the	Whom the	The legal framework	The regulatory	Whom the organisation

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	determines:	organisation is there to serve.	organisation is there to serve and how the purposes and priorities of the organisation should be decide	for the administration of the organisation.	framework in which the organisation operates.	is there to serve and how the purposes and priorities of the organisation should be decide
40	The two-tier board of an organisation is particularly useful:	In ensuring that there is a counterbalance to the power of managers.	For managers to assert their power.	In improving operational efficiency.	In ensuring that employees can determine strategies for the organisation.	In ensuring that there is a counterbalance to the power of managers.
41	Stakeholders are the individuals or groups who:	Depend on the organisation to fulfil their own goals and on whom the organisation depend	Are shareholders in key competitors.	Dominate the strategy development process in an organisation.	Determine operational issues	Depend on the organisation to fulfil their own goals and on whom the organisation depend
42	The purpose of stakeholder mapping is to:	Outline policies on stakeholder relationships.	Geographically locate different stakeholders.	Identify stakeholder power.	Identify stakeholder interest and power	Identify stakeholder interest and power
43	Where a stakeholder has a high level of interest in the development of an organisation, but a low level of power, strategists or managers should:	Keep these stakeholders informed	Keep these stakeholders informed and satisfied	Expend minimal effort on these stakeholders.	Treat these stakeholders as key players.	Keep these stakeholders informed
44	An indicator of power held by external stakeholders is:	The organisational perception of	Negotiating skills.	Personal relationship with a key decision-maker.	Mutual resource dependency	The organisational perception of the status of an external party. .

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		the status of an external party.				
45	Ethical issues concerning business and public sector organisations exist at three levels:	Macro; Corporate; Individual.	Corporate; Business; Functional.	Corporate; Functional; Individual.	Business; Family; Individual.	Macro; Corporate; Individual.
46	Corporate social responsibility concerns:	How an organisation meets the expectations of its stakeholders.	The behaviour of individual managers.	External stakeholder relationships.	The ways in which an organisation exceeds its minimum required obligations to stakeholders.	The ways in which an organisation exceeds its minimum required obligations to stakeholders.
47	The cultural frames of reference include (this is not a comprehensive list):	National; organisational field; competitors.	National; organisational; organisational field and functional/divisional	Unions; organisational; industrial.	Organisational; colleagues; organisational field	National; organisational; organisational field and functional/divisional.
48	The "say no to drugs" campaign sponsored by an organization is an example of _____ marketing.	cause-related	social	campaign	political	social
49	_____ addresses the what and why of marketing activities; _____ addresses the who, where, when, and how.	Control; audit	Evaluation; control	Implementation; strategy	e. Strategy; implementation	e. Strategy; implementation
50	_____ control aims to ensure that the company achieves the sales, profits, and other goals	Annual-plan	Profitability	Efficiency	Strategic	Annual-plan

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	established in its annual plan.					
51	Managers today are usually quite sensitive to issues of social responsibility and ethical behaviour because of _____.	internal; external	internal;	external	B or C	internal; external
52	1. CalPERS, the California Public Employees' Retirement System pressures the companies it invests in to engage in good corporate governance and socially responsible practices in areas such as _____ and _____.	human rights and environmental responsibility	Principles and Policy	Social and Economical	Control; audit	human rights and environmental responsibility
53	1. In the _____ perspective, social responsibility is seen as appropriate because it is "the right thing to do."	Duty-based	cause-related	social	campaign	Duty-based
54	1. According to the Corporate Social Responsibilities (CSR) pyramid, the _____ responsibility is considered to be of primary importance to organizations.	Economic	social	campaign	political	Economic
55	The three reasons that corporations should care about social responsibility are _____, _____ and _____.	Social , Political, Ethical	pragmatic reason, ethical reason, strategic reason	Social , technical, Ethical	Social , Political, technical	pragmatic reason, ethical reason, strategic reason

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56	The _____ reason that corporations should care about social responsibility stands for the proposition that corporations must anticipate stakeholder concerns and act defensively to protect their reputation and viability.	ethical	strategic	pragmatic	social	pragmatic
57	The _____ reason for corporate social responsibility argues that businesses, as part of society, have a responsibility to behave in the right way.	ethical	strategic	pragmatic	social	ethical
58	_____ (3 words) are those shareholders who clearly care about the financial and the social bottom line of a business.	Socially responsible investors	Socially responsible manager	Socially respectable manager	Socially responsible shareholder	Socially responsible investors
59	Which of the items listed is NOT a product of a “favorable corporate reputation.”	Attract, Hire and keep higher quality applicants/employees	Enhance their access to better capital markets	Attract investors	Ignore the Foreign Corrupt Practices Act	Ignore the Foreign Corrupt Practices Act

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\_\_\_\_\_, such as environmental damage, are costs to society that are produced by companies but not reflected in the company's cost structure.

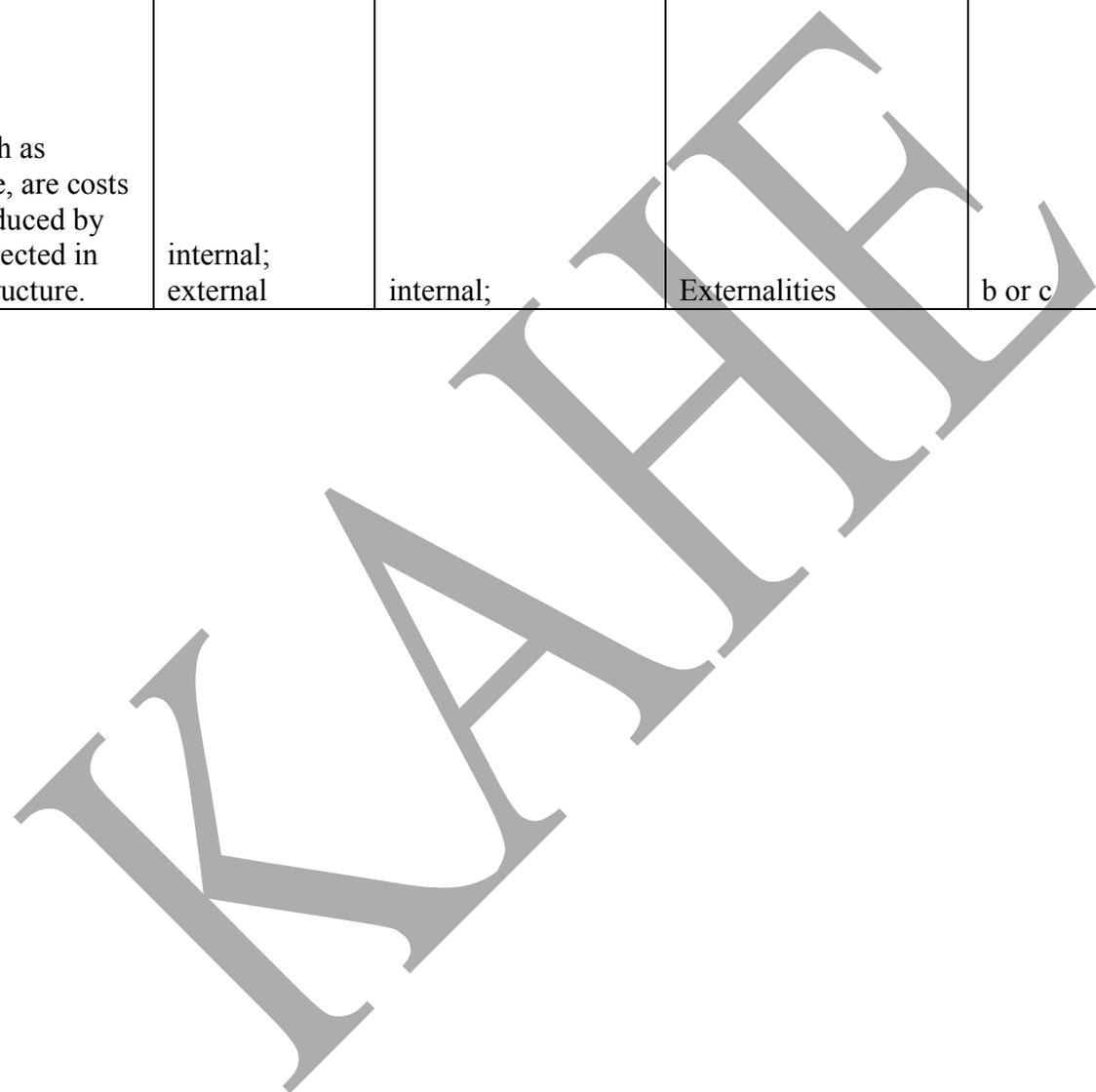
internal;  
external

internal;

Externalities

b or c

Externalities



**UNIT-IV- EMERGING AREAS AND TRENDS IN CORPORATE SOCIAL RESPONSIBILITY**

**SYLLABUS**

**Emerging Areas and Trends in Corporate Social Responsibility - Business, Social, Environmental and Regulatory - Globalization and Corporate Governance - Case Study in CSR and Corporate Governance.**

**EMERGING AREAS AND TRENDS IN CSR**

‘Wealth is not to be earned for the purpose of self-indulgence or of satisfaction of greed. Wealth should be treated as the citizen’s instrument of helpfulness. The word is not just helpfulness but helpfulness combined with a sense of duty’ said Thiruvallvar, India’s ancient sage, in his work Kural, which is considered as one of the best guides to the art of living . in 2001, the Tata Energy and Research Institute (TERI) undertook a survey of CSR in India. It found that Indian corporations were quite spirited about community services, although their models were different. Some had adopted the Gandhian method of voluntary commitment to welfare, particularly rural welfare. Others were more statist, like Nehru, for a centralized model. Some corporations were quite conservative and insisted that good business is CSR. An overwhelming majority were for the stakeholder model. The following were the main concerns expressed by all the corporations:

- (a) Environmental pollutions
- (b) Good quality products and services at affordable process
- (c) Faith in the NGOs carry out the work of welfare

**NEED FOR CSR:**

Corporate social responsibility (CSR) promotes a vision of business accountability to a wide range of stakeholders, besides shareholders and investors. Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general, both now and in the future. The concept of CSR is underpinned by the idea that corporations can no longer act as isolated economic entities operating in detachment from broader society. Traditional views about competitiveness, survival and profitability are being swept away.

Some of the drivers pushing business towards CSR include:

1. The shrinking role of government In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.

2. Demands for greater disclosure There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

3. Increased customer interest There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.

4. Growing investor pressure Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than \$2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. A separate survey by Environics International revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks

5. Competitive labor markets Employees are increasingly looking beyond paychecks and benefits, and seeking out whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

6. Supplier relations As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

**Some of the positive outcomes that can arise when businesses adopt a policy of social responsibility include:**

**1. Company benefits:**

- Improved financial performance;

- Lower operating costs;
- Enhanced brand image and reputation;
- Increased sales and customer loyalty;
- Greater productivity and quality;
- More ability to attract and retain employees;
- Reduced regulatory oversight;
- Access to capital;
- Workforce diversity;
- Product safety and decreased liability.

**2. Benefits to the community and the general public:**

- Charitable contributions;
- Employee volunteer programmes;
- Corporate involvement in community education, employment and homelessness programmes;
- Product safety and quality.

**3. Environmental benefits:**

- Greater material recyclability;
- Better product durability and functionality;
- Greater use of renewable resources;
- Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labelling.

**BUSINESS SOCIAL ENVIRONMENTAL AND REGULATORY:**

Companies operating in the us must adhere to a patchwork of federal , state, and local regulations meant by balance interested of business with those of the public as a whole .this sections provides an overview of business become complaint ,include links to important federal regulatory forms ,state specific links information and contact pertaining to license and permit and a collection of thinks to important federal business regulations .

**Complaint Assistance :**

The US department of labor (DOL) regulations many business activities and “ compliance “in a business contact frequently refers specifically to the employee compliance with DOL regulations .

**Following regulations and laws relating to:**

- Wages and hour worked
- Benefits: health, retirement, and leave
- Hiring issues
- Terminations issues
- Equal opportunities
- Posters
- Recordkeeping

**COMMON REGULATIONS INCLUDES :**

Zoning - It laws impact many different kind of business , but subject of additional restrictions that prevent opening on SOB close to a school or church or ban SOB from designated area such as the downtown.

ALCOHOL - Some local ordinances prevent the service of alcohol in certain kinds of SOB.

AGE REQUIRMENTS - Most ordinance set of minimum for patrons ,frequently 18 years and older or 21 and older where alcohol is served .

**ENVIRONMENTAL REGULATION:**

There are a number of ministries and agencies responsible for particular aspects of environmental regulation, or whose policy area has a significant impact on, or is impacted by, the environment. The ministry for sustainable development, the environment and climate change is responsible for environmental, waste and climate change policies, parks, the waste operator, as well as environmental aspects related to agriculture and fisheries and animal welfare. The environmental and resources authority within the ministry for sustainable development, the Environment and climate change is the competent authority responsible for environmental regulation under the environmental protection Act. The ministry for health is responsible for environmental health, and the environmental Health directorate promotes and safeguards the well-being and health of the

public from adverse environmental effects. The office of the prime minister is responsible for development planning, energy and water.

The sustainable energy and water conservation unit within the office of the prime minister is responsible for policy development in the energy and water sectors. The regulator for energy and water services is responsible for energy and water. The malta resources authority holds regulatory responsibilities relating to, climate change, water and mineral resources. The planning authority, within the office of the prime minister is the competent authority responsible for land use planning in malta under the development planning act. The ministry for transport and infrastructure is responsible for building regulations and internal and external transport, while transport malta regulates the transport sector. The ministry for justice, culture and local government is responsible for cultural heritage and restoration.

### **STRATEGIES FOR CORPORATE SOCIAL RESPONSIBILITY:**

Recommendations of Report of Committee on The Financial Aspects on Corporate Governance, 1992 under the chairmanship of Sir Adrian Cadbury set up by the London Stock Exchange, the Financial Reporting Council and accounting professions to focus on the control and reporting functions of boards, and on the role of auditors.

- **Role of Board of Directors**

The Report introduced "The Code of Best Practice" directing the boards of directors of all listed companies registered in the UK, and also encouraging as many other companies as possible aiming at compliance with the requirements. All listed companies should make a statement about their compliance with the Code in their report and accounts as well as give reasons for any areas of non compliance. It is divided into four sections:

**1. Board of Directors:** (a) The board should meet regularly, retain full and effective control over the company and monitor the executive management.

(b) There should be a clearly accepted division of responsibilities at the head of a company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision. (c) Where the chairman is also the chief executive, it is essential that there should be a strong and independent element on the board, with a recognized senior member, that is, there should be a lead independent director.

(d) All directors should have access to the advice and services of the company secretary, who is responsible to the Board for ensuring that board procedures are followed and that applicable rules and regulations are complied with.

**2. Non-Executive Directors:** (a) The non-executive directors should bring an independent judgment to bear on issues of strategy, performance, resources, including key appointments, and standards of conduct.

(b) The majority of non-executive directors should be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment, apart from their fees and shareholding.

**3. Executive Directors:** There should be full and clear disclosure of directors' total emoluments and those of the chairman and highest-paid directors, including pension contributions and stock options, in the company's annual report, including separate figures for salary and performance-related pay.

**4. Financial Reporting and Controls:** It is the duty of the board to present a balanced and understandable assessment of their company's position, in reporting of financial statements, for providing true and fair picture of financial reporting. The directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary. The board should ensure that an objective and professional relationship is maintained with the auditors.

### GLOBALIZATION AND CORPORATE GOVERNANCE

Globalization can be defined as the free movement of goods, services and capital. Definition does not cover all the aspects of globalization or global changing. Globalization also should be a process which integrates world economies, culture, technology and governance. This is because globalization also involves the transfer of information between developed countries and developing countries. Moreover globalization has religious, environmental and social dimensions. In order to encompass this broad impact area globalization covers all dimensions of the world

economy, environment and society. Moreover, it is apparent all over the world and the world is changing dramatically. Every government has a responsibility to protect all of their economy and domestic market from this rapid changing. The question is how a company will adapt to this changing. First of all, companies have to know different effects of globalization. Globalization has some opportunities and threats. A company might have learnt how to protect itself from some

negative effects and how to get opportunities from this situation. Globalization affects the economy, business life, society and environment in different ways:

- Increasing competition,
- Technological development,
- Knowledge/Information transfer,
- Portfolio investment,
- Regulation/deregulation, International standards,
- Market integration,
- Intellectual capital mobility,
- Financial crisis-contagion effect-global crisis.

## **II. COMPETITION:**

Globalization leads to increased competition and therefore increased competition is a consequence of globalization. This competition can be related to product and service cost and price, target market, technological adaptation, quick response and quick production by companies, in addition to such things as quality and customer satisfaction. When a company produces with less cost and sells cheaper, it will be able to increase its market share. Customers have too many choices in the market and they want to acquire goods and services quickly and in a more efficient way. Also they are expecting high quality and a cheap price which they are willing to pay. All these expectations need a response from the company, otherwise the sales of the company will decrease and they will lose profit and market share. A company must be always ready for price competitions for product and service and for changes in customer preferences because all of these are global market requirements.

## **III. EXCHANGE OF TECHNOLOGY:**

One of the most striking manifestations of globalization is the use of new technologies by entrepreneurial and internationally oriented firms to exploit new business opportunities. Internet and e-commerce procedures hold particular potential for SME's seeking to broaden their involvement into new international markets. Technology is also one of the main tools of

competition and for enhancing the quality of goods and services. On the other hand it necessitates quite a lot of cost for the company. The company has to use the latest technology for increasing their sales and product quality. Globalization has increased the speed of technology transfer and technological improvement. Customer expectations are directing markets. Mostly companies in capital intensive markets are at risk and that is why they need rapid adapting concerning customer and market expectations. These companies have to have efficient technology management and efficient R&D management.

**A. Knowledge/Information;**

Transfer Information is a most expensive and valuable production factor in the current environment. Information can be easily transferred and exchanged from one country to another. If a company has a chance to use knowledge and information then it means that it can adapt to this global changing. This issue is similar with the technology transfer issue in global markets. The rapid changing of the market requires also quick transfer of knowledge and efficient using of that knowledge and information

**B. Portfolio Investment (Financial Fund Flows):**

Globalization encourages increased international portfolio investment. Additionally, financial markets have become increasingly open to international capital flows. For this reason, portfolio investment is one of the major problems of developing economies. It is almost the only way to increase liquidity of the markets and economies for emerging countries through attracting foreign funds. Significantly, this short term investment can dramatically impact on the financial markets. When the emerging economies have some problem in their country or investors make enough profit from their investment then these investors might leave the market. This would mean that market liquidity decreased and financial markets indicators plummet immediately.

**C. Regulation/Deregulation and International Standards ;**

Globalization needs more regulation of the markets and economy. There are many new and complicated financial instruments and methods in the market and such instruments easily transfer and trade in other countries because of the globalization effect . Every new system, instrument or tool requires new rules and regulations to determine its impact area. These regulations are also necessary to protect countries against global risks and crises. When the crisis comes out of one

country then it influences other countries with trade channels and fund transfers, which we call the contagion effect. On the other hand, during globalization the shares of big companies are trading in international stock markets and these companies have shareholders and stakeholders in many different countries. International rules and regulations offer protection particularly to small investors against the big scandals and other problems in companies, examples of which we have seen during the recent financial crisis. International standards also regulate markets and economies by means of international principles and rules such as international accounting standards, international auditing standards. These aim to make corporate reporting standardized and comparable. So that is why the globalised world has more rules and more regulations and international standards than before

#### **D. Market Integration:**

In fact globalization leads to the conversion of many markets and economies into one market and economy. The aim of international standards and regulations is also to deregulate all these markets. The economy needs financial structures capable of handling the higher level of risk in the new economy. For this reason financial markets must be broad, deep, and liquid and at present only the U.S. financial markets are large enough to provide this financial structure in the world market. Global stock market projection and Pan-European stock market projection are part of this changing. There are many similar examples in the current situation for market integration which are also the result of increasing competition in the economy. Integration examples are prominent in company mergers and acquisitions as well.

#### **E. Qualitative Intellectual Capital Mobility:**

Another effect of globalisation is human capital mobility through knowledge and information transfers. One of the reasons is that international/multinational companies have subsidiaries, partners and agencies in different countries. They need skilled and experienced international employees and rotation from country to country to provide appropriate international business practice. This changing also requires more skilled, well educated and movable employees who can adapt quickly to different market conditions.

#### **F. Financial Crisis-Contagion Effect-Global Crisis:**

Financial crises are mostly determined through globalization and as a result of the globalization impact. The financial world has witnessed a number of crises in recent years. Generally financial crises come out from international funds/capital flows (portfolio investments), lack of proper regulations and standards, complex financial instruments, rapid development of financial markets, asymmetric information and information transfers. One country crisis can turn into a global crisis with systemic risk effect. Systemic risk refers to a spreading financial crisis from one country to another country. In some cases, crises spread even between countries which do not appear to have any common economic fundamentals/problems. Previous global crises have also shown that one of the reasons for the crisis is unregulated markets.

#### **IV. THE CONCEPT OF GLOBAL GOVERNANCE**

All systems of governance are concerned primarily with managing the governing of associations and therefore with political authority, institutions, and, ultimately, control. Governance in this particular sense denotes formal political institutions that aim to coordinate and control interdependent social relations and that have the ability to enforce decisions. Increasingly however, in a globalised world, the concept of governance is being used to describe the regulation of interdependent relations in the absence of overarching political authority, such as in the international system. Thus, global governance can be considered as the management of global processes in the absence of any form of global government. There are some international bodies which seek to address these issues and prominent among these are the United Nations and the World Trade Organisation. Each of these has met with mixed success in instituting some form of governance in international relations but is part of recognition of the problem and an attempt to address worldwide problems that go beyond the capacity of individual states to solve. To use the term global governance is not of course to imply that such a system actually exists, let alone to consider the effectiveness of its operations. It is merely to recognize that in this increasingly globalised world there is a need for some form of governance to deal with multinational and global issues. The term global governance therefore is a descriptive term, recognising the issue and referring to concrete cooperative problem-solving arrangements. These may be formal, taking the shape of laws or formally constituted institutions to manage collective affairs by a variety of actors – including states, intergovernmental organisations, non-governmental organisations (NGOs), other

civil society actors, private sector organisations, pressure groups and individuals. The system also includes of course informal (as in the case of practices or guidelines) or temporary units (as in the case of coalitions). Thus global governance can be considered to be the complex of formal and informal institutions, mechanisms, relationships, and processes between and among states, markets, citizens and organizations, both inter- and non-governmental, through which collective interests on the global plane are articulated, rights and obligations are established, and differences are mediated. Global governance is not of course the same thing as world government: indeed it can be argued that such a system would not actually be necessary if there was such a thing as a world government. Currently however the various state governments have a legitimate monopoly on the use of force – on the power of enforcement. Global governance therefore refers to the political interaction that is required to solve problems that affect more than one state or region when there is no power of enforcing compliance. Improved global problem - solving need not of course require the establishing of more powerful formal global institutions, but it would involve the creation of a consensus on norms and practices to be applied.

**Model of Corporate Governance.** Steps are of course underway to establish these norms and one example that is currently being established is the creation and improvement of global accountability mechanisms. In this respect, for example, the United Nations Global Compact 1 – described as the world’s largest voluntary corporate responsibility initiative<sup>2</sup> – brings together companies, national and international agencies, trades unions and other labor organizations and various organs of civil society in order to support universal environmental

**Part A (ONE Mark)**

**Multiple Choice Questions**

**Online Examination**

**2 Marks Questions**

1. What are the factors which takes a person to ethical dilemma?
2. What are the beneficiary views on ethics?
3. Is CSR needed for Business
4. What is meant by work ethics?
5. What is ethical dilemma

**8 Marks Questions**

1. What are your arguments for social responsibility?
2. Discuss Corporate Social Responsibility towards environment.
3. Operationalizing CSR for sustainable development". Discuss
4. Discuss the benefits of implementation of CSR in business
5. Discuss various responsibilities of stakeholders and initiatives to be taken by them towards CSR.
6. Discuss the benefits of implementation of CSR in business.

Reg.No.....

(17MBAP302)

**KARPAGAM ACADEMY OF HIGHER EDUCATION**

(Deemed to be University)

(Established under section 3 of UGC Act 1956)

COIMBATORE – 641 021

(For the candidates admitted from 2017 onwards)

**II MBA – Continuous Internal Assessment I**

**BUSINESS ETHICS, CORPORATE GOVERNANCE &  
SOCIAL RESPONSIBILITY**

**Time: 2 hours**

**Maximum: 50 marks**

**PART – A (15 X 1 = 15 Marks)**

**Answer All the Questions**

1. The three major types of ethical issues include except?

- (a) **Communication issues** (b) Systematic issues  
(c) Corporate issues (d) Individual issues

2. Which of the following refers to the reasoning process by which human behaviors, institutions, or policies are judged to be in accordance or not with moral standards?

- (a) **Moral reasoning** (b) Moral duty  
(c) Moral justice (d) Moral issues

3. Which kind of theory Utilitarianism has?

- (a) **Ethical** (b) Conceptual  
(c) Behavioral (d) Reasonable

4. The contributive principle of distributive justice measured the contributions in terms of:

- (a) Economic quality (b) Minimum standard of living  
(c) **Work effort** (d) Opportunity

5. An acquired disposition that is a valuable part of a morally good person, exhibited in the person's habitual behavior is known as?

- (a) Moral responsibility (b) Moral ethic  
(c) **Moral virtue** (d) Moral duty

6. Which one of the following is not considered as category of issues involving justice?

- (a) Distributive justice (b) Retributive justice  
(c) **Compulsory justice** (d) Compensatory justice

7. A written statement of policies and principles that guides the behavior of all employees is called

- (a) **code of ethics** (b) word of ethics  
(c) ethical dilemma (d) Rights

8. An empirical inquiry into the actual rules or standards of a particular group is

- (a) normative justice (b) **descriptive justice**  
(c) interpersonal justice (d) word of ethics

9. The HR policy which is based on the philosophy of the utmost good for the greatest number of people is covered under the

- (a) **utilitarian approach** (b) approach based on rights  
(c) approach based on justice (d) approach based on justice

10. Which of the following is not usually the objective of a code of ethics?

- (a) to create an ethical workplace  
(b) to evaluate the ethical components of the proposed actions of the employees

(c) to improve the public image of the company  
**(d)to enhance the profits of the business continuously**

11. Which of the following is not a core principle of the Society for Human Resource Management's Code of Ethics?

(a) professional responsibility (b) fairness and justice  
(c) professional development **(d)None of the above**

12. Which of the following factors shapes the ethical behavior of the members of an organization?

(a) The supervisor's behavior (b) organizational culture  
(c) code of ethics **(d)All the above**

13. Business ethics deals primarily with

(a) social responsibility  
(b) the pricing of products and services.  
(c) **moral obligation.**  
(d) being unfair to the competition.

14. Ethics are important because

(a) suppliers prefer to deal with ethical companies.  
(b) customers prefer to deal with ethical companies.  
(c) employees prefer to deal with ethical companies.  
**(d)all of the choices.**

15. According to the concept of moral intensity, a worker is most likely to behave ethically and legally when

(a) a manager observes his or her behavior closely.  
(b) the worker has intense morals.  
(c) the consequences of the act are minor.

**(d)the consequences of the act are substantial.**

**PART – B (3 X 8= 24 Marks)**

**Answer all the questions**

16.(a) What are the main arguments in favour of a codified set of ethics?

**ARGUMENTS FOR AND AGAINST BUSINESS ETHICS**

**Introduction:**

Throughout the world, changes are taking place at all levels. The new ways of living, working and relating have been explored and developed. The growth of awareness, development of technology, growth of new dimensions and changes in the attitude are the major reasons for the rapid growth of these changes. This situation has also emerged as an opportunity for the growth of ethical principles and practices.

**Arguments for business ethics:**

- 1) Holistic approach.
- 2) Leadership.
- 3) Employee commitment.
- 4) Investor loyalty.
- 5) Customer satisfaction.
- 6) Business is a co-operative effort.
- 7) Higher profits.
- 8) Changing mindset of shareholders.

(OR)

(b) you were to be presented with a seal dilemma in Business in which you had to preach the code. In order to serve some higher good how would you Justify such an action?

1. **A Written Code of Conduct:** This clearly defines the ethics to be maintained in an organization. The aim of defining and writing a code of conduct is to let employees know what is acceptable and what is not within the organization. Every employee – new or experienced – must be trained on adhering to the CoC.

2. **Ethics and Compliance Training Programs:** Besides setting goals for the upcoming year, organizations should focus more on training employees on workplace ethics. A few members of the top level management can lead the ethics and compliance training programs. Such initiatives will stress the fact that employees must cultivate and adhere to the ethical code of the workplace.

3. **Role Models:** If your employees have a role model in you, it would be easier for them to adhere to the company's code of conduct and ethics. Seniors behaving in a morally upright manner will set an example for juniors to emulate.

17.(a) Discuss the guidelines for Ethical issues?

#### **General ethical principles**

- Principle A: Beneficence and nonmaleficence.
- Principle B: Fidelity and responsibility.
- Principle C: Integrity.
- Principle D: Justice.
- Principle E: Respect for people's rights and dignity.
- Resolving ethical issues.
- Competence.
- Human relations.

(OR)

(b) What practical benefits flow from ethics?

Many people are used to reading or hearing of the moral benefits of attention to business ethics. However, there are other types of benefits, as well. The following list describes various types of benefits from managing ethics in the workplace.

**1. Attention to business ethics has substantially improved society.**

**2. Ethics programs help maintain a moral course in turbulent times.**

**3. Ethics programs cultivate strong teamwork and productivity.**

**4. Ethics programs support employee growth and meaning.**

**5. Ethics programs are an insurance policy — they help ensure that policies are legal.**

**6. Ethics programs help avoid criminal acts “of omission” and can lower fines.**

**7. Ethics programs help manage values associated with quality management, strategic planning and diversity management — this benefit needs far more attention.**

**8. Ethics programs promote a strong public image.**

**9. Overall benefits of ethics programs:**

**10. Last – and most — formal attention to ethics in the workplace is the right thing to do.**

18.(a) Discuss ethics in corporate governance?

Ethical Aspects of Corporate Governance: An Analysis

Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. Corporate Governance essentially involves balancing the interests of the many stakeholders in a company, and these include its shareholders, management, customers, suppliers,

financiers, government and the community where the company is working.

In narrow sense, Corporate Governance deals with maximizing the shareholders wealth, and in broader prospective, it considers the welfare of the all stakeholders and the society.

Corporate Governance also provides the framework for attaining a company's objectives, and it encompasses practically every sphere of management from action plans and internal controls to performance measurement and corporate disclosure.

Following are the aspects which should be covered by Management of any organization in its Corporate Governance Policy:

1. **Rights of Shareholders and equality treatment to shareholders:** Every Organization should respect the rights of shareholders and should help them exercise their rights properly, openly and effectively. . There should be a proper communication by organization aiming to encourage shareholders' rights.

2. **Other stakeholders:** Organizations should fix their responsibilities legal, contractual, social, and market driven responsibilities, for shareholders including other stakeholders such as investors, employees, creditors, customers, suppliers, local communities and policy makers.

3. **Roles and responsibilities of the Board of Directors:** The board of any organization should be inclusive of proper and sufficient management skills, educational qualifications and understanding to review of policies and challenges of management performance. Furthermore, there should be a proper and appropriate commitment.

4. **Integrity and ethical behavior:** Integrity is the important factor of success for any of the organizations. Integrity is the

fundamental requirement of organization, corporate officers and board members who are required to follow the principle of integrity. Every Organization should develop its code of conduct for its employees, executives directors and promoters, respectively.

5. **Transparency and Disclosure:** Organizations should follow the principles of transparency and disclosure for the best interest of organizational stake holders. Transparency and disclosure are

(OR)

(b)Discuss the physical factors in ethical decisions?

**Business ethics** refers to the moral principles or values that generally govern the conduct of an individual or group. **Ethical behavior** is acting in ways that are consistent with how the business world views moral principles and values. Business ethics determine employees' everyday conduct.

The physical factors are:

- Individual Factors
- Social Factors
- Environmental Factors

**PART – C (1 X 11 =11 Marks)**

**19. Case study (Compulsory):**

You are the purchasing officer for a company. One of the companies from which you buy goods gives you a year end gift of fine quality blankets. He knows that you are not permitted to accept such a gift.

What would be an appropriate response on your part?

As an ethical practice on should not accept the gift. (Elaborate Justification)

Reg. no:.....  
17MBAP302

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**COIMBATORE -641021**  
**(For the candidates admitted from 2017 onwards)**  
**II MBA Third semester**  
**Continuous Internal Assessment –II-October 2018**

**BUSINESS ETHICS, CORPORATE GOVERNANCE**  
**& SOCIAL RESPONSIBILITY**  
**ANSWER KEY**

Time: 2 hours

Maximum: 50 Marks

**PART –A (15X1=15 Marks)**

**Choose the correct answer**

1. The primary stake holders are
  - a. Customers
  - b. Suppliers
  - c. **Shareholders**
  - d. Creditors
2. Sustainability reporting consists of
  - a. Environmental issues
  - b. Economic issues
  - c. Social and environmental issues
  - d. **Economic, Social and environmental issues**
3. \_\_\_\_\_theory is an alternative view of Agency theory
  - a. Agency theory
  - b. **Stewardship theory**
  - c. Shareholder theory
  - d. Privity theory
4. XBRL refers to
  - a. **Standard language for business reporting**
  - b. A tool for generating web based audit report
  - c..An automated audit tool
  - d. Financial reporting software
5. Sustainability reporting consists of
  - a. Economic Issues
  - b. Environmental issues
  - c. Social and environmental issues
  - d. **Economic, social and environmental issues**
6. \_\_\_\_\_is concerned with the branch of economics relating the behaviour of principals and their agents
  - a. Financial management
  - b. Profit Maximization
  - c. **Agency theory**
  - d. Corporate social responsibility
7. Corporate contributions for charitable and social responsibility purposes is called
  - a. **Corporate philanthropy**
  - b. Corporate charities
  - c. Corporate donations
  - d. Corporate discretionaries
8. Truthfulness in Marketing communication is an example of
  - a. Ethics
  - b. Business ethics
  - c. **Marketing ethics**
  - d. Corporate social responsibility
9. Integrity, transparency, sincerity and mutual respect are important principles for
  - a. E-marketing
  - b. **Cause related marketing**
  - c. Reciprocal marketing
  - d. Fair trade marketing
10. CSR is based on -----theory
  - a. **Stake holder**
  - b. Involvement
  - c. Ethical
  - d. Marketing
11. Management’s social responsibility includes all of the following except
  - a. Economic
  - b. **Caretaker**
  - c. Legal
  - d. Ethical
12. Which of the following is not a CSR initiative
  - a. Maintaining a plant to recycle waste
  - b. Organizing sports meet for employees
  - c. **Sell products with a margin to costs to improve profits**
  - d. Organizing blood donating camps
13. A firm has become a “neighbor of choice” builds and sustains \_\_\_\_\_within the community
  - a. Commitment
  - b. **Trust**
  - c. Educational opportunities
  - d. Political clout

14. Global corporate culture involves an integration of \_\_\_\_\_ in which firm currently operates
- a. **Business environments**
  - b. Ecological environments
  - c. Profit environments
  - d. social and economical
15. The \_\_\_\_\_ reason for CSR argues that business as part of society have a responsibility to behave in a right way
- a. **Ethical**
  - b. Strategic
  - c. Pragmatic
  - d. Social

**PART –B (3x8=24 MARKS)**

**Answer all the questions**

16. (a) Discuss operationalizing of CSR for sustainable development.

Corporate sustainability is an approach that creates long-term stakeholder value by implementing a business strategy that considers every dimension of how a business operates in the ethical, social, environmental, cultural, and economic spheres. It also formulates strategies to build a company that fosters longevity through transparency and proper employee development.

Corporate sustainability is an evolution on more traditional phrases describing ethical corporate practice. Phrases such as corporate social responsibility (CSR) or corporate citizenship continue to be used but are increasingly superseded by the broader term *corporate sustainability*. Unlike phrases that focus on "added-on" policies, *corporate sustainability* describes business practices built around social and environmental considerations.

Whilst short-term economic gain could be chased, a failure to account for social and environmental impacts would make those business practices unsustainable.

Sustainable development within business promotion is expanding rapidly in several directions. Some interpret corporate responsibility to mean what companies should do above the call of law; others think it should be legally mandated atng rapidly in several directions. Some interpret corporate responsibility to mean what companies should do above the call of law; others think it should be legally mandated.

Measuring corporate sustainability is possible through composite indicators which aggregate environmental, social, corporate governance and economic measures, e.g. Complex Performance Indicator (CPI).

(Or )

(b)What are the responsibilities and initiatives taken by stake holders' towards CSR?

The stakeholder groups form the basis of success individuals or groups that have interests, rights, or ownership in an organization and its activities. Customers, suppliers, employees, and shareholders are example of primary stakeholder groups. Each has interest in how an organization performs or interacts with them. These stakeholder groups can benefit from a company's success and can be harmed by its mistakes.

Secondary stakeholders are also important because they can take action that can damage or assist the organization. Secondary stakeholders include governments (especially through regulatory agencies), unions, nongovernmental organizations (NGOs), activities, political action groups, and the media.

In orders to serve their stakeholders in an ethical and social manner, more and more organizations are adapting the model of corporate social responsibility. The term Corporate Social Responsibility goes by many other terms such as corporate citizenship, responsible business or simply corporate responsibility.



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**INITIATIVES**

Corporate social responsibility includes six types of corporate social initiatives;

- Corporate philanthropy: Company donations to charity, including cash, goods, and services, sometimes via a corporate foundation

- Community volunteering: Company-organized volunteer activities, sometimes while an employee receives pay for pro-bono work on behalf of a non-profit organization

- Socially-responsible business practices: Ethically produced products which appeal to a customer segment

- Cause promotions: Company-funded advocacy campaigns

- Cause-related marketing: Donations to charity based on product sales

- Corporate social marketing: Company-funded behavior-change campaigns

All six of the corporate initiatives are forms of corporate citizenship. But only some of those CSR activities rise to the level of cause marketing, defined as: "A type of corporate social responsibility (CSR) in which a company's promotional campaign has the dual purpose of increasing profitability while bettering society."

Companies generally do not have a profit motive when participating in corporate philanthropy and community volunteering. On the other hand, the remaining corporate social initiatives can be examples of cause marketing, in which there is both a societal interest and profit motive.

17. (a) Discuss corporate social responsibility towards environment

Corporate Social Responsibility is like a social regulation which is integrated into the business model of the company. It is considered to be very important for any company and hence adhering to the requirement of the same is very important for any organization. CSR policy of the company is considered to be self-regulator and hence it can help in adherence to the spirit of law, follow all ethical standards and are subjected to best international norms. Sometimes critics have questioned whether the practice of CSR is only window dressing or an extension of the arms of the business under social norms. Closely

linked with the concept of CSR is the ecology. Since an organization works in an ecosystem there has always been a close connection with the whole ecology of the same (Andersen, 2009). The objective of the CSR practice should be to minimize the impact of the company on the environment. It has been seen that many companies have focused on good raw material procurement which will result in lower industrial waste and hence minimizing the impact on the environment. However it has been seen that most organization tends to focus towards the end of the production process and miss out on the main areas of concern. Industry ecology and its relation with the practice of CSR focus on creating optimization at each level of the groupings which exist in the company. The strategy involves exchange of industrial residues wherever possible, it has been seen that residue for someone can actually be the raw material for the other company. There has also been increased stress in this ecological system on usage of shared services, recycling, rainwater harvesting, and valorization of the some of the byproducts.

**(Or)**

(b) Discuss corporate social responsibility towards health and well-being of society.

Health is increasingly becoming a focal point of Corporate Social Responsibility (CSR), largely due to the recognition that a healthy workforce and community are fundamental to the longevity of a business and success of an economy. Subsequently, this blog focuses on CSR health initiatives implemented by global corporations as part of their CSR programs. Many corporations typically implement CSR health initiatives organized along internal and external lines, often complementing and extending their business operations. Internal strategies may be implemented to improve the working environment, to reduce negative externalities or to establish access to facilities that are of relevance to the corporation's demographic and risk profile.

For example, as part of a wider CSR strategy Rio Tinto, a global mining corporation, developed an Employee Well-Being Program which is comprised of three elements: An Occupational Health Management Program, an Occupational Hygiene Monitoring

Program, and an Occupational Medical Surveillance Program, which aim to promote and maintain employees' physical, mental, and social wellbeing. In line with this, operations at Rio Tinto Iron Ore Company of Canada (IOC) work with the provincial government and union to ensure occupational dust control on site to minimize health risks associated with excess dust.

Similarly, Glaxo Wellcome Manufacturing Pte Ltd Singapore, an organization making products for GlaxoSmithKline (GSK), offers free comprehensive health screening, opportunities for physical activity, and an improved canteen (offering a variety of healthy foodstuffs and take-away arrangements) to its employees. Subsequently, the organization has recorded significant changes in employee health and productivity. External CSR health initiatives may be introduced to mitigate risks and / or to extend benefits to the environment and communities. In many cases there is a synergy between the internal and external strategies and very often they are shaped by the nature of the business itself.

For example, Alliance Boots, an international pharmacy-led health and beauty group, has an internal strategy that has seen the introduction of the 'We Care About Your Health' program, designed in collaboration with Dutch health insurer CZ and which provides access to online courses about healthy living. The corporation's external strategy extends this, offering various health-driven programs including: 'BootsWebMD', a consumer health and wellbeing information portal (in partnership with WebMD). Danone, a French multi-national corporation operating within the food and drink manufacturing industry, delivers CSR through a number of country-specific food and health-related campaigns, such as 'Eat Like a Champ' in the UK and 'Mum, Dad, I Prefer Water!' in Poland. However, many corporations' CSR health initiatives are beyond their industry knowledge. For example, the Emirates and its similarly named airline foundation offer the extended community a 'floating' hospital called The Emirates Friendship Hospital Ship, to provide medical assistance to people affected by monsoon flooding in the most deprived region of Bangladesh.

18. (a) What do you understand by financial reporting? What are its roles on regulatory framework?

To foster the conditions for sustainable long term investment, it is vital that the market has confidence in the quality of corporate governance and reporting. They publish the UK Corporate Governance and UK Stewardship Codes for directors and investors to implement. Integral to our governance regime is the principle of 'comply or explain', which has been shown to accelerate best practice in the boardroom and which gives investors a key role in holding directors to account. They hold directors to account for the quality of their reports and accounts, monitoring compliance with relevant standards, whether issued by us or as otherwise required by the regulatory framework. We encourage Boards to adopt a philosophy of continuous improvement, providing investors with relevant and material information to support their decision making.

### **REGULATORY FRAMEWORK OF CORPORATE GOVERNANCE**

The framework of rules and practices by which a board of directors ensures accountability, fairness, and transparency in a company's relationship with its all stakeholders (financiers, customers, management, employees, government, and the community).

The seeds of modern corporate governance were sown by the Watergate scandal in the United States. Detailed investigations were conducted by the U.S. Regulatory and Legislative body. It was detected that the loopholes in the control mechanism paved way to several major corporations to make illegal political contributions and to bribe government officials. This necessitated the development of foreign and corrupt practice Act 1977. The act contained specific provisions related to establishment, maintenance and review of systems of internal control. In 1979, the Securities and Exchange Commission of the U.S.A's proposals for mandatory reporting on internal financial controls came to be enforced. The year 1985 has witnessed a series of high profile business failures in U.S.A., the most notable one among them being the Savings and Loan collapse. Therefore, the Tread Way Commission was formed.

The primary role of this commission was to identify the main causes of misrepresentations in financial reports and to recommend ways of reducing such misrepresentations. The Tread Way Report published in 1987, highlighted the need for a proper control environment, independent Audit committees and objective Internal Audit Function. It called for published reports on the effectiveness of internal control. In a way, it motivated the sponsoring organizations to come forward with an integrated set of internal control criteria to facilitate companies to improve their control systems. As a result the Committee of Sponsoring Organization (COSO) was born. In the year 1992, the committee produced a report that stipulated a control framework which has been endorsed and refined in the subsequent United Kingdom reports. The issue of corporate Governance became particularly significant in the context of globalization because one special feature of the late 20th century / 21st century, globalization, is that in addition to the traditional three elements of the economy namely physical capital in terms of plant and machinery, technology and labour, the volatile elements of financial capital invested in the emerging markets and in the third world countries is an important element of modern globalization and has become particularly powerful. The significance and the impact of the volatility of the financial capital was realized when in June 1997, the currency of South East Asian countries started melting down in countries like Thailand, Indonesia and South Korea. It was realized by the World Bank and all investors that it is not enough to have good corporate management but one should have also good corporate governance because the investors want to be sure that the decisions taken are ultimately in the interests of all stakeholders. Honesty is the best policy is a fact that is being rediscovered.

**(Or)**

(b) What are the effects of Globalization on CSR?

Globalization can be defined as the free movement of goods, services and capital. Definition does not cover all the aspects of globalization or global changing. Globalization also should be a process which integrates world economies, culture, technology and

governance. This is because globalization also involves the transfer of information between developed countries and developing countries. Moreover globalization has religious, environmental and social dimensions. In order to encompass this broad impact area globalization covers all dimensions of the world economy, environment and society. Moreover, it is apparent all over the world and the world is changing dramatically. Every government has a responsibility to protect all of their economy and domestic market from this rapid changing. The question is how a company will adapt to this changing. First of all, companies have to know different effects of globalization. Globalization has some opportunities and threats. A company might have learnt how to protect itself from some negative effects and how to get opportunities from this situation. Globalization affects the economy, business life, society and environment in different ways:

- Increasing competition,
- Technological development,
- Knowledge/Information transfer,
- Portfolio investment,
- Regulation/deregulation, International standards,
- Market integration,
- Intellectual capital mobility,
- Financial crisis-contagion effect-global crisis.

**PART- C(1X 11=11 Marks)**

**19. Case study (compulsory)**

Shyam is a senior office administrator in an organization. One particular day he was five minutes late to the office and was interrupted by boss regarding an office project presentation progress, due to which his punch in attendance record is delayed by another five minutes. This results in half day leave for him. Knowing about the details, Shyam secretly works on the software record and manipulates the attendance record.

Is the act justifiable? What are the ethical issues? Relate this issue with his reputation.

Two reasons can be provided

- I. Justifiable: if the act is justifiable, explain the reason for his act. Eg: delay due to project enquiry or some personal reasons.
- II. Unjustifiable: if the act is unjustifiable explain the reasons why, what all punishments to be given. How the act can bring down his reputation.