



III Semester M.B.A. (Day) Examination, January 2009  
(2007-08 Scheme)

MANAGEMENT

3.2 : Business Ethics and Corporate Governance

Time : 3 Hours

Max. Marks : 75

SECTION – A

Answer **any six** of the following. **Each** question carries **two** marks. (2×6=12)

1. a) What is 'Business ethics' ?
- b) What is the role of corporate culture in business ethics ?
- c) Give the meaning of cross cultural issues in business ethics.
- d) Mention any two employee rights.
- e) What is 'Ethics audit' ?
- f) What is the difference between values and Ethics ?
- g) Who are 'Independent Directors' ?
- h) What is the role of opportunity and conflict in business ethics ?

SECTION – B

Answer **any three** of the following : (3×8=24)

2. Can you putforth any three arguments against business ethics ?
3. What are the systems used to monitor and enforce ethical standards ?
4. How to view the social costs of duties ?

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5. What are the ethical issues involved in projection of women in advertisement of products ?
6. Bring out the highlights of code of ethics adopted by Tata Group of Companies.

## SECTION – C

Answer **any two** of the following :

(2×12=24)

7. Account for the global values governing business organizations today. Discuss with examples.
8. Bring out the current context of corporate Governance in India.
9. Describe the difficulties and dilemmas involved in ethical decision making in a business organization.

## SECTION – D

10. Read the following case and answer the questions given at the end. (1×15=15)

**“What Ethics Means to Coke ?”**

Coca-Cola India has commissioned rainwater harvesting project in three phases within the premises of its bottling plant at Atmakuru village near Vijaywada. The plant can now harvest 100 per cent of rainfall on nearly six acres of constructed area. The plant maintains an additional 34-acre green belt within its premises. The company had earlier donated computers, furniture and books to the village library, besides providing scientific equipment, books and school bags for students in five schools in the neighboring villages.

According to Sanjiv Gupta, CEO and president of Coca-Cola India, ***“We believe in conducting our business in a manner that benefits the local communities. It is indeed a matter of pride and honor for all of us to receive the support from the villages here.”***

In 1998, Coca-Cola set up a bottling plant in Perumatti in the southern state of Kerala. Since it opened, local villagers have complained about the fall in the amount of water available to them and have blamed the fall in supplies on Coca-Cola who,



they claim, uses up to a million liters per day at the plant. Further, following the cleaning of the bottles, a waste sludge is produced that Coca-Cola has been disposing of on the land of local farmers claiming it was a useful fertilizer. BBC Radio 4 programme reported the details of the contaminants in the sludge Coca-Cola sells as fertiliser, gives away, or sometimes dumps in dry riverbeds are revealed for the first time. Following the programme samples of the sludge were analysed by scientists at Exeter University in the south west of England and found to contain toxic chemicals including lead and cadmium-both of which can be harmful to humans – and further suggested that there was little or no benefit of the sludge as a fertiliser. Later tests by the local state laboratories find that the levels of toxic chemicals are within safety levels but that it should not be used as a fertilizer.

In a separate development, sales of Coca-Cola have been hit by suggestions that its drinks produced in India contained higher levels of pesticide residues than was healthy ! A large number of bodies have joined in the campaign for the local community demanding the plant be closed down and that tests are carried out on Coca-Cola to assess its safety. A lawsuit to this effect was thrown out which prompted Coca-Cola to issue an angry comment claiming that the reports were scurrilous, unnecessarily scared large numbers of Coca-Cola's customers and put thousands of jobs in its plants throughout India at risk.

Sunil Gupta, Vice-President of Coca-Cola India, says the company has been the target of a handful of extremist protesters and it is lack of rainfall that has caused local water supplies to be exhausted. The company claims to use a maximum of 600,000 liters a day. Coca-Cola even sends round tankers of water to the region to help the local community. Mr. Gupta also says Coca-Cola undertook an environmental impact assessment before building the plant. He stood by the claim that the sludge waste from the plant was fertiliser and said the company complied with all local environmental laws and stood for the welfare of the community.

The Charity Action Aid says the crisis facing the once prosperous farming area is an example of the worst kind of inward investment by multinational companies in developing countries. In a report to the World Trade Organization's meeting in Cancun, Mexico the charity says this kind of abuse must be controlled. The report says Perumatti was a thriving agricultural community until Coca-Cola set up the bottling plant in 1998. Coconut groves and vegetable crops have had to be abandoned because of the lack of water. Action Aid says thousands of people worked on the land but now just 141 are employed at the plant, with a further 250 as casual laborers.



The team of experts of the Central Water Resources Development and Management, Kozhikode, appointed by the High Court of Kerala, has recommended in its final report that the Coca-Cola Beverages Ltd. can safely be permitted to draw 5-lakh liters of ground water a day for industrial use, under normal rain conditions. The local economy that the village council which had granted the company a license to operate is now demanding the plant's closure.

**Questions :**

1. In this case, what is more important – the very product or the location of the plant ?
2. What concepts of business ethics are relevant in this case ?
3. What are your suggestions for resolving the issue ?