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# Sample Preview of the Solved Sample Question Papers

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# QUESTION PAPER

*June – 2024*

*(Solved)*

## BUSINESS ETHICS AND CSR

**MMPC-20**

*Time: 3 Hours ]* *[ Maximum Marks: 100*

*[ Weightage : 70%*

***Note:*** *Attempt any* ***five*** *questions. All questions carry equal marks.*

**Q. 1. Discuss the individual factors concerning the organizational level decision-making. Can individual factors lead to unethical conduct in the workplace? Explain.**

**Ans. Ref.:** See Chapter-1, Page No. 2, 'Features of Business Ethics' and Page No. 3, 'Types of Business Ethics'.

**Q. 2. Why is corporate social responsibility concerned with supply chain management especially the global supply chain? Discuss with the help of examples.**

**Ans.** Corporate Social Responsibility (CSR) is increasingly intertwined with supply chain management, especially in the context of global supply chains, because the social, environmental, and ethical implications of a company's operations often extend beyond its immediate boundaries to suppliers, distributors, and other partners worldwide. With globalization, companies are responsible not only for their direct actions but also for those of their suppliers, particularly when these involve labor practices, environmental sustainability, human rights, and ethical business conduct. Managing CSR in the supply chain is essential for maintaining a company's reputation, ensuring compliance with international standards, and creating long-term value. Let's break this down with examples:

**1. Labor Practices and Human Rights:** In global supply chains, labor practices can vary significantly across regions due to differing legal standards, enforcement mechanisms, and cultural attitudes. Many multinational companies source products from countries where labor laws may be less stringent, raising concerns about worker exploitation, child labor, unsafe working conditions, and unfair wages.

**Example: Nike and the Sweatshop Scandal:** Nike faced severe backlash in the 1990s when reports revealed poor working conditions and the use of child labor in its factories in Southeast Asia. The scandal damaged the company's reputation and led to consumer boycotts. This case became a turning point in the way global corporations manage their supply chains and approach CSR. Nike has since implemented stricter oversight of its suppliers, improved transparency, and introduced independent audits to ensure ethical labor practices.

**Example: Apple and Foxconn:** Apple has also been scrutinized for its relationship with Foxconn, a major supplier in China, where poor working conditions and employee suicides raised concerns. Apple responded by increasing its CSR efforts, including requiring better working conditions, raising wages, and reducing excessive overtime for factory workers in its supply chain.

**2. Environmental Sustainability:** Supply chains, especially global ones, contribute significantly to a company's environmental footprint. Issues such as deforestation, excessive water use, and pollution are major concerns for companies with extensive supply networks. Consumers and regulatory bodies are increasingly holding companies accountable for the environmental impact of their entire supply chain, not just their direct operations.

**Example: Unilever and Sustainable Sourcing:** Unilever, a global consumer goods company, has integrated environmental sustainability into its supply chain management. It sources ingredients like palm oil, tea, and soy from countries where deforestation and poor environmental practices are common. To mitigate this, Unilever has committed to sourcing all its agricultural raw materials sustainably and has worked with local suppliers to improve environmental standards. The company also promotes transparency, regularly reporting on its progress toward sustainability goals.

**Example: Walmart's Sustainability Initiative:** Walmart, one of the world's largest retailers, has embarked on an ambitious plan to reduce the environmental impact of its global supply chain. Through its "Sustainability Index," Walmart assesses suppliers based on criteria such as waste management, greenhouse gas emissions, and water usage. By incentivizing suppliers to improve their environmental practices, Walmart aims to reduce the environmental footprint of the entire supply chain.

**3. Ethical Sourcing and Fair Trade:** Global supply chains often involve sourcing raw materials from developing countries, where local producers may not receive fair compensation for their goods. Ethical sourcing and fair trade practices ensure that suppliers, especially in developing regions, are paid fairly and treated with respect. This is an essential aspect of CSR, as consumers and stakeholders increasingly expect companies to ensure fairness across their supply chains.

**Example: Starbucks and Fair Trade Coffee:** Starbucks, the world's largest coffeehouse chain, has made a significant commitment to ethical sourcing, particularly in its coffee supply chain. The company sources a large percentage of its coffee through Fair Trade-certified suppliers, ensuring that farmers are paid fair prices and that environmental and social standards are upheld. This commitment helps improve the livelihoods of coffee growers in countries like Colombia and Ethiopia, enhancing the company's reputation for social responsibility.

**4. Supply Chain Transparency and Traceability:** Transparency in global supply chains is critical to CSR. Consumers, investors, and NGOs increasingly demand that companies provide detailed information about the sources of their raw materials, the labor conditions of their suppliers, and the environmental impacts of production. A lack of transparency can lead to accusations of unethical practices, which can damage a company's brand.

**Example: Patagonia and Supply Chain Transparency:** Outdoor apparel brand Patagonia has set a high standard for supply chain transparency. The company provides detailed information about its entire supply chain on its website, including the locations of factories, the materials used, and the working conditions of employees. Patagonia's commitment to ethical sourcing and environmental sustainability has helped it build a loyal customer base that values CSR.

**5. Regulatory Compliance and Risk Management:** Global supply chains are subject to various regulatory frameworks in different countries. Ensuring compliance with labor, environmental, and trade regulations is a critical aspect of CSR, especially as companies face increasing scrutiny from governments, consumers, and advocacy groups. Non-compliance can lead to legal repercussions, financial losses, and damage to a company's reputation.

**Example: Rana Plaza Collapse and the Fashion Industry:** The collapse of the Rana Plaza building in Bangladesh in 2013, which housed factories producing clothing for major global brands, brought attention to the unsafe working conditions in the global fashion industry. Over 1,100 workers were killed, and many more were injured. This tragedy highlighted the need for better safety standards and labor practices in the global supply chain. In response, several fashion companies, including H&M and Zara, joined initiatives such as the Accord on Fire and Building Safety in Bangladesh, aiming to improve safety standards in their supply chains.

**Q. 3. Discuss the importance and relevance of Sustainable Development Goals (SDGs). Is CSR important for sustainable development? Discuss.**

**Ans. Ref.:** See Chapter-14, Page No. 146, Q. No. 1 and Page No. 148, Q. No. 2.

**Q. 4. Elucidate the benefits that companies have with the ethical code of conduct and CSR.**

**Ans.** An ethical code of conduct and Corporate Social Responsibility (CSR) bring several benefits to companies, enhancing both internal operations and external relationships. These advantages can impact financial performance, brand reputation, employee satisfaction, and long-term sustainability. Here's a detailed look at the benefits of both:

**1. Building Trust and Enhancing Reputation:**

***(a)*** **Improved Public Image:** Companies that adhere to a strong ethical code and CSR initiatives are seen as more trustworthy and responsible by customers, investors, and other stakeholders. This boosts the company's brand reputation, which can differentiate it from competitors.

***(b)*** **Customer Loyalty:** Ethical practices and CSR help in attracting and retaining customers who are increasingly conscious of the values and ethics of the businesses they support.

***(c)*** **Investor Attraction:** Companies with strong CSR and ethical policies often attract socially responsible investors (SRI). They are seen as lower risk and more sustainable in the long term, increasing investor confidence.

**2. Legal Compliance and Risk Mitigation:**

***(a)*** **Reduction in Legal Issues:** A well-drafted ethical code of conduct helps ensure that employees comply with laws and regulations, minimizing the risk

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# BUSINESS ETHICS AND CSR

## BLOCK-1 : ETHICS AND BUSINESS

## Business Ethics: An Overview

1

### INTRODUCTION

Business ethics carries significant influence in the corporate world. Not only does it change how businesses operate on a day-to-day basis, but it also influences legislation around corporate regulation. In this chapter we will find out what business ethics is, why it is important, and how you can spot ethical and unethical behaviors in the workplace. We will also learn that Business ethics is the study of how a business should act in the face of ethical dilemmas and controversial situations. This can include a number of different situations, including how a business is governed, how stocks are traded, a business' role in social issues, and more.



### CHAPTER AT A GLANCE

**WHAT IS ETHICS?**

The English word ethics is derived from the Ancient Greek word çthikós, meaning "relating to one's character", which itself comes from the root word êthos meaning "character, moral nature". This word was transferred into Latin as *ethica* and then into French as *éthique*, from which it was transferred into English.

Rushworth Kidder states that "standard definitions of ethics have typically included such phrases as 'the science of the ideal human character' or 'the science of moral duty'". Richard William Paul and Linda Elder define ethics as "a set of concepts and principles that guide us in determining what behaviour helps or harms sentient creatures". The Cambridge Dictionary of Philosophy states that the word "ethics" is "commonly used interchangeably with 'morality' ... and sometimes it is used more narrowly to mean the moral principles of a particular tradition, group or individual." Paul and Elder state that most people confuse ethics with behaving in accordance with social conventions, religious beliefs, the law, and do not treat ethics as a stand-alone concept.

The word ethics in English refers to several things. It can refer to philosophical ethics or moral philosophy – a project that attempts to use reason to answer various kinds of ethical questions. As the English moral philosopher Bernard Williams writes, attempting to explain moral philosophy: "What makes an inquiry a philosophical one is reflective generality and a style of argument that claims to be rationally persuasive." Williams describes the content of this area of inquiry as addressing the very broad question, "how one should live". Ethics can also refer to a common human ability to think about ethical problems that is not particular to philosophy. As bioethicist Larry Churchill has written: "Ethics, understood as the capacity to think critically about moral values and direct our actions in terms of such values, is a generic human capacity."

**UNDERSTANDING BUSINESS ETHICS**

Business ethics is the study of appropriate business policies and practices regarding potentially controversial subjects including corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities. The law often guides business ethics, but at other times business ethics provide a basic guideline that businesses can choose to follow to gain public approval.

Business ethics refers to implementing appropriate business policies and practices with regard to arguably controversial subjects. Some issues that come up in a discussion of ethics include corporate governance, insider trading, bribery, discrimination, social responsibility, and fiduciary responsibilities. The law usually sets the tone for business ethics, providing a basic guideline that businesses can choose to follow to gain public approval.

Business ethics ensure that a certain basic level of trust exists between consumers and various forms of market participants with businesses. For example, a portfolio manager must give the same consideration to the portfolios of family members and small individual investors. These kinds of practices ensure the public receives fair treatment.

The concept of business ethics began in the 1960s as corporations became more aware of a rising consumer-based society that showed concerns regarding the environment, social causes, and corporate responsibility. The increased focus on "social issues" was a hallmark of the decade.

Since that time period, the concept of business ethics has evolved. Business ethics goes beyond just a moral code of right and wrong; it attempts to reconcile what companies must do legally *versus* maintaining a competitive advantage over other businesses. Firms display business ethics in several ways.

**Examples of Business Ethics**

Here are a few examples of business ethics at work as corporations attempt to balance marketing and social responsibility. For example, Company XYZ sells cereals with all-natural ingredients. The marketing department wants to use the all-natural ingredients as a selling point, but it must temper enthusiasm for the product versus the laws that govern labeling practices.

Some competitors' advertisements tout high-fiber cereals that have the potential to reduce the risk of some types of cancer. The cereal company in question wants to gain more market share, but the marketing department cannot make dubious health claims on cereal boxes without the risk of litigation and fines. Even though competitors with larger market shares of the cereal industry use shady labeling practices, that doesn't mean every manufacturer should engage in unethical behaviour.

For another example, consider the matter of quality control for a company that manufactures electronic components for computer servers. These components must ship on time, or the manufacturer of the parts risks losing a lucrative contract. The quality-control department discovers a possible defect, and every component in one shipment faces checks.

Unfortunately, the checks may take too long, and the window for on-time shipping could pass, which could delay the customer's product release. The quality-control department can ship the parts, hoping that not all of them are defective, or delay the shipment and test everything. If the parts are defective, the company that buys the components might face a firestorm of consumer backlash, which may lead the customer to seek a more reliable supplier.

**FEATURES OF BUSINESS ETHICS**

Following are the features of business ethics:

**Maintains Legality of Business:** Business ethics ensure that business does not involve in any illegal activities. Ethics in business clearly defines the rules and principles that business needs to adopt in its code of conduct. These ethics avoid the adoption of unfair trade activities like adulteration, black marketing, frauds and cheating in the product, improper weights and measures, etc. This all helps in maintaining the legality of the business.

**Reduce Risk and Cost:** Ethics in business helps in improving the productivity and overall efficiency of the organisation. These ethics bring self-discipline within the organisation and aims at reducing the risk and expenses. All the people working in an organisation are strictly required to follow these ethics and are imposed to a penalty in case of any failure. Employees are required to strictly required to focus on their defined roles for achieving higher efficiency.

**Providing Quality Products:** Quality products are a must for keeping the customers happy and satisfied. Ethics in business defines certain standards for the production of better products for customers. Businesses are required to use better technology and resources for manufacturing their products. They should not comprise with product quality and should meet the standards level set by these ethics.

**Healthy Competition:** Unhealthy competition in the market makes the condition worse for the existence of the small business. Every business should adopt fair market practices for healthy competition in the market. They should cooperate with their business partners and other business organisation existing in the market. Ethics in business focuses on that any business organisation does not aim at creating its monopoly in the market by exploiting other ones existing in the market.

**Profit Making:** Business ethics are not against the profit earning objective of business. The aims that business should not earn profit by unfair means. Businessmen should remain honest and not cheat its customers, investors and employees. Involvement in any fraudulent activities for raising profit should be avoided.

**Good Employer-Employee Relations:** Implementation of ethics in business makes the employer and employee relations better. These ethics ensure that business should not operate for its own growth only but also work for the welfare of its employees. All employees should be provided better and timely wages and salaries, proper working conditions and various other amenities. It helps in developing better relations and understanding among employer and employees.

**Long Term Growth:** Ethics in business focuses on the survival of business organisations for long term. Business cannot exist for long term if any of its operations leads to exploitation of its stakeholders. These ethics ensure that business works for the welfare of all its stakeholders and tries to achieve their support. With the support of all its stakeholders business can easily touch the height of great success and can continue its operations for the long-term.

**WHY IS BUSINESS ETHICS IMPORTANT?**

Business ethics are important for a variety of reasons. First and foremost, it keeps the business working within the boundaries of the law, ensuring that they aren't committing crimes against their employees, customers, consumers at large, or other parties. However, the business also has a number of other advantages that will help them succeed if they are aware of business ethics.

Businesses can also build trust between the business and consumers. If consumers feel that a business can be trusted, they will be more likely to choose that business over its competitors. Some businesses choose to use certain aspects of business ethics as a marketing tool, particularly if they decide to highlight a popular social issue. Leveraging business ethics wisely can result in increased brand equity overall.

Being an ethical business is also highly appealing to investors and shareholders. They will be more likely to sink money into the company, as following standard ethical business practices and leveraging them properly can be a path to success for many businesses.

Following business ethics can also be beneficial for the business' employees and operations. Attracting top talent is significantly easier for ethical businesses. Employees not only appreciate a socially aware employer, but will also perceive them as the kind of business that will act in the best interest of their employees. This produces more dedicated employees and can also reduce recruitment costs.

**TYPES OF BUSINESS ETHICS**

Business ethics as a field of study is incredibly diverse, but many concepts can be divided into a few basic principles. Every business should strive to follow these guidelines in the pursuit of success.

**Trustworthiness:** Achieving trustworthiness typically involves being transparent and honest in all actions and communications. Being trustworthy can have a positive impact both internally and externally. Consumers appreciate openness, as it provides them with insight into how a business operates and conceptualizes the work that they do. Employees also appreciate this quality in a business that they work for.

**Respect:** Showing respect for employees and customers involves following through on all promises – and providing sincere apologies and appropriate compensation if anything falls through. Showing a lack of respect will deter customers from engaging with a business and lower a business' reputation. It will also do significant damage to employee morale and increase turnover.

**Fairness:** Treating customers and employees with a sense of fairness and justice is a key type of ethics. Manipulative behaviours aren't just unethical, but they are also unhelpful – and the top priority of any business should be to be helpful to its customers and employees. It is also important to treat all people equally.

**Caring:** Businesses, at the end of the day, are composed of human beings. There are human beings that consumer goods or services from the business, and then there are human beings that work to produce those goods or services. Being open to their struggles and coming to the table with solutions will show empathy – a valuable tool for any business to utilize. Showing a sense of caring and keeping the lines of communication is not just the ethical thing to do, but can also boost internal and external perceptions of the business.

**Examples of Ethical Behaviour in the Workplace**

While understanding the basic principles of business ethics is important, it is arguably more important to understand how these ideas apply to day-to-day business operations. Here are some examples of how ethical behaviours can be practically applied.

**Putting Customer Needs First:** Companies that build their workplace culture around putting customer needs first and hiring people who engage in this behavior are participating in ethical behaviours. For example, if a customer comes into a store looking for a product that meets very specific needs, it's important to provide them the best product for the situation described instead of upselling them or encouraging them to buy a product that won't meet their needs. However, it is important to ensure that the "customer first" attitude does not unintentionally result in the unethical treatment of employees – such as encouraging them to work more overtime than allowed, forcing them to endure abuse from customers with no safe way to escape the situation, and more.

**Being Transparent:** Transparency and clear communication is paramount when it comes to ethical workplace behaviors. Employees and consumers alike should never be lied to or told untruths, as this breaks trust within the business. For example, when faced with a public relations crisis, companies should call a meeting and address the problem directly with their employees. It's important to truthfully describe the situation as it unfolded, present solutions, and accept criticism humbly.

**Prioritizing Workplace Diversity:** Part of being fair is providing everyone with an equal opportunity to be employed at the company. While there is much political debate around how to create workplace fairness, it is undeniable that providing equal opportunity for employment to every applicant is an ethical standard. For example, if someone notices that management tends to hire the same type of person, they may suggest getting employees more involved in the hiring process. This will introduce different perspectives to the hiring process and increase the possibility that different kinds of applicants will be selected for a position.

**Respecting Customer Information:** Many businesses collect the personal information of their customers, whether it's payment information, health information, or similar. One of the priorities for any business should be securing and protecting this information. For example, a hospital may create and enforce aggressive policies around staff sharing patient information on social media. Having an employee share this kind of information on their personal accounts is not only disrespectful of the patient's privacy, but could also put the hospital at risk of violating HIPAA regulations.

**Providing Resources for Reporting Unethical Behaviour:** If an employee notices unethical behaviour in the workplace, they should have an outlet to report these behaviors. The business is responsible for putting this infrastructure in place and designing it in a way that insulates the employee from harm. For example, a research university should have a neutral office of compliance that is organizationally detached from the research arm of the institution. This provides a neutral space where academics can report unethical studies or harmful practices without fear of workplace repercussions.

**Examples of Unethical Behaviour in the Workplace**

Just as it is important to understand how to practically apply ethical behaviour, it is equally important to understand what qualifies as unethical behaviour. Here are some examples of what unethical situations can look like in the workplace.

**Taking Sides in an Employee Argument:** It is not uncommon for conflicts to arise between employees in the workplace. Ethically, it is the job of company leadership and management to remain impartial during these conflicts. For example, if two of a manager's employees are in conflict, it is important for the manager to remain as neutral as possible. When a manager gives preference to a favorite or senior employee or provides a solution that only works in favor of one party, they are participating in unethical behaviour. They must allow both employees to speak their piece and then come to a solution that works best for both parties, as well as the business itself.

**Lying:** Lying to your employees or customers is the biggest way to break trust. Trust is the best source of dedication and loyalty that any business has. Once that trust is broken, it is extremely difficult to get it back. For example, if a company has a high-performing employee who is asking for a promotion, they may say that there is no room in the budget for a promotion this year. A few months later, another employee may receive a promotion. Telling obvious lies isn't just unethical – it will drive people away from your business.

**Misusing Company Time:** This is a common ethical dilemma that many businesses face. Many employees misuse company time in a variety of ways,