



Subject: Professional Ethics

Chapter: Unit 1 & 2

**Category: Assignment 1 -
Solutions**

Q1. Multiple choice questions (1.5 mark each)

1. Following is NOT the attribute of professionalism
D – Conflict minimization
2. Which of the following statement is False?
C – Professionals can wear smart casuals on 'Casual Fridays' for a meeting with an important client.
3. The study of ____, as contrasted with legal, obligations is called ethics.
B – Moral
4. Ethical problems and phenomena arise across all the functional areas of companies such as :
i. Ethics in accounts and finance
ii. Ethics in human resources
iii. Ethics in marketing
iv. Ethics in compliance
B – Option i and iv
5. A company named ABC Limited, entered into a contract with its subsidiary company ABC Inc, the Cayman Islands, for the purchase of raw material. The price per kg of raw material was decided for \$10. Had ABC Limited purchased the raw material from other vendors supplying the same raw material located in the Cayman Islands, they would have got the raw material at a price of \$7 per kg.
Which ethical issue in finance relates to the above example?
C – Related party transactions not at arm's length
6. The philosophy which praises people who exceed their duties and obligations.
D – Supererogation
7. This concept includes a person who seeks to benefit the most people but through the fairest and most just means available.
C – Rule utilitarianism
8. Which of the following statement is True?
A – Boards are not bound to control the actions of the company's managers
9. Function of the Audit Committee is:
A – Oversight of the company's financial reporting process
10. One of the major system relevant to managerial decisions which promotes market exchange and is essential for social productivity.
B – Contributive Liberty

Q.2A Differentiate between casuist and virtue theories of ethics (5 marks)

Answer – Casuist

The casuist ethical theory is one that compares a current ethical dilemma with examples of similar ethical dilemmas and their outcomes. This allows one to determine the severity of the situation and to create the best possible solution according to others' experiences. One drawback to this ethical theory is that there may not be a set of similar examples for a given ethical dilemma. Perhaps that which is controversial and ethically questionable is new and unexpected. Along the same line of thinking, a casuistical theory also assumes that the results of the current ethical dilemma will be similar to results in the examples. This may not be necessarily true and would greatly hinder the effectiveness of applying this ethical theory.

Virtue

The virtue ethical theory judges a person by his character rather than by an action that may deviate from his normal behaviour. It takes the person's morals, reputation and motivation into account when rating an unusual and irregular behaviour that is considered unethical. For instance, if a person plagiarized a passage that was later detected by a peer, the peer who knows the person well will understand the person's character and will be able to judge the friend. If the plagiarizer normally follows the rules and has good standing amongst his colleagues, the peer who encounters the plagiarized passage may be able to judge his friend more leniently. Perhaps the researcher had a late night and simply forgot to credit his or her source appropriately. Conversely, a person who has a reputation for scientific misconduct is more likely to be judged harshly for plagiarizing because of his consistent past of unethical behaviour.

One weakness of this ethical theory is that it does not take into consideration a person's change in moral character. For example, a scientist who may have made mistakes in the past may honestly have the same late night story as the scientist in good standing. Neither of these scientists intentionally plagiarized, but the act was still committed.

Q.2B How to exhibit professionalism? (5 marks)

As you can see from these characteristics, professionals are the kind of people that others respect and value. They are a genuine credit to their organizations!

This is why it's so important that we work to earn a professional reputation in the workplace. True professionals are the first to be considered for promotions, they are awarded valuable projects or clients, and they are routinely successful in their careers. Now that you have a clear view of what constitutes professionalism, are you demonstrating these characteristics to the people around you? It's likely you're already showing some characteristics, but you may find yourself lacking in others: to build your own professionalism, focus on improving each of these characteristics. (Focus on one at a time, so you don't get overwhelmed.) Additionally, here are some further strategies that will help you be more professional in the workplace:

Build Expertise

Don't let your knowledge and skills get outdated. Make a commitment to build expertise and stay up to-date with your industry. Professionals strive to become experts in their

field, which sets them apart from the rest of the pack. This can mean continuing your education by taking courses, attending seminars and attaining any related professional designations. A broad set of skills, from mastering software to clearing jams from the copying machine, adds to the sense that you're an indispensable member of the team.

Develop Your Emotional Intelligence

Professionals can sense the emotional needs of others. They're able to give clients and co-workers what they need, because they know how to listen actively and observe what's happening. So, if you want to improve your professionalism, focus on developing emotional intelligence.

Honour Your Commitments and own up to mistakes

Whenever you make a promise to your boss, colleagues, or clients, keep it. If it looks as if you won't be able to meet a deadline, let your boss, team or client know as soon as sensibly possible. However, do what you can to avoid ending up in this situation! Don't make excuses – instead, focus on meeting expectations as best you can, and on making the situation right.

Professionals are accountable for their actions at all times. If you make a mistake, own up to it and try to fix it if possible. Don't try to place the blame on a colleague. If your company made the mistake, take responsibility and work to resolve the issue.

Be Polite and confident

Be kind and polite and use good manners to everyone you come into contact with, no matter what their role is, and no matter how you're feeling. This might sound unimportant, but it makes a significant impact.

Your demeanour should exude confidence. Be polite and well-spoken whether you're interacting with customers, superiors or co-workers. You need to keep your calm, even during tense situations. Your body language and facial expressions communicate volumes, so be sure they are conveying the message you want others to hear.

Behave Morally and Ethically

Professionals such as doctors, lawyers and public accountants must adhere to a strict code of ethics. Even if your company or industry doesn't have a written code, you should display ethical behaviour at all times. It's not just a matter of the #MeToo movement; extend professional, respectful, appropriate behaviour to everyone you do business with and in every situation you find yourself in.

Dress for Success

A professional is neat in appearance. Be sure to meet or even exceed the requirements of your company's dress code, and pay special attention to your appearance when meeting with prospects or clients. Even if your workplace tends towards the casual, strive for smart casual rather than sloppy casual. Keep something a bit dressier handy in case the big boss or an important client happens by.

Be Structured and Organized

A professional can quickly and easily find what is needed. Your work area should be neat and organized, and your briefcase should contain only what is needed for your appointment or presentation. Few things say "unprofessional" as quickly as a hopelessly cluttered, messy work area.

Q.2C Corporate Governance is integral to the existence of the company. Elaborate on the given statement. (5 marks)

Corporate Governance is needed to create a corporate culture of Transparency, accountability and disclosure. It refers to compliance with all the moral & ethical values, legal framework and voluntarily adopted practices.

Corporate Performance: Improved governance structures and processes help ensure quality decision making, encourage effective succession planning for senior management and enhance the long-term prosperity of companies, independent of the type of company and its sources of finance. This can be linked with improved corporate performance- either in terms of share price or profitability.

Enhanced Investor Trust: Investors consider corporate Governance as important as financial performance when evaluating companies for investment. Investors who are provided with high levels of disclosure & transparency are likely to invest openly in those companies. The consulting firm McKinsey surveyed and determined that global institutional investors are prepared to pay a premium of up to 40 percent for shares in companies with superior corporate governance practices.

Better Access to Global Market: Good corporate governance systems attract investment from global investors, which subsequently leads to greater efficiencies in the financial sector. Combating Corruption: Companies that are transparent, and have sound system that provide full disclosure of accounting and auditing procedures, allow transparency in all business transactions, provide environment where corruption will certainly fade out. Corporate Governance enables a corporation to compete more efficiently and prevent fraud and malpractices within the organization.

Easy Finance from Institutions: Several structural changes like increased role of financial intermediaries and institutional investors, size of the enterprises, investment choices available to investors, increased competition, and increased risk exposure have made monitoring the use of capital more complex thereby increasing the need of Good Corporate Governance. Evidence indicates that well-governed companies receive higher market valuations. The credit worthiness of a company can be trusted on the basis of corporate governance practiced in the company.

Enhancing Enterprise Valuation: Improved management accountability and operational transparency fulfill investors' expectations and confidence on management and corporations, and return, increase the value of corporations.

Reduced Risk of Corporate Crisis and Scandals: Effective Corporate Governance ensures efficient risk mitigation system in place. The transparent and accountable system that Corporate Governance makes the Board of a company aware of all the risks involved in particular strategy, thereby, placing various control systems to monitor the related issues. Accountability: Investor relations' is essential part of good corporate governance. Investors have directly/ indirectly entrusted management of the company for the creating enhanced value for their investment. The company is hence obliged to make timely disclosures on regular basis to all its shareholders in order to maintain good investor's relation. Good Corporate Governance practices create the environment where Boards cannot ignore their accountability to these stakeholders.

Q.2D Write a note on decision making framework that helps managers to sort out ethical dilemma (5 marks)

To help managers think through ethical moral conflicts, the business ethicists Gerald Cavanagh and his colleagues have developed a decision-making framework that relies on the ideas of philosophers and ethicists and applies those ideas to business decisions. This approach combines four methods of ethical reasoning: rights and duties, utilitarianism, justice, and the ethics of care—into a framework that helps managers and leaders step through a logical thinking process to sort out the ethical dimensions of a difficult and inherently conflictual situation.

Rights and Duties

Rights are justifiable claims or entitlements, frequently based on the law or other authoritative documents, such as treaties and international declarations that allow people to pursue their own interests. Rights can be viewed as the positive things that people are allowed to do, but they come with an obverse side as well, in the form of duties or obligations that go along with the rights. For example, in democracies, one right is the ability to vote. Along with that right comes the duty to exercise that right by actually voting. In many countries, employees are granted certain rights, such as the right to safe working conditions or a minimum wage, and employers have corresponding duties to ensure that these conditions are met. These rights are based on laws and regulations. Other rights are based on moral grounds and are frequently written into international treaties, such as the United Nations Declaration of Human Rights and the Natural Environment. Such rights include respect for human dignity, which enables communities, organizations, and societies to thrive. In using Cavanagh's ethical decision-making framework to assess a moral conflict, one question that needs to be asked involves rights and duties: Would this decision respect the rights and duties of the individuals involved?

Utilitarianism

A second way of reasoning through a moral conflict involves using utilitarian analysis, or assessment of the greatest good of the greatest number. This type of cost-benefit analysis is a very common management approach, but as the framework suggests, it may not be a sufficient basis by itself to make an ethical decision in a moral conflict. In a utilitarian analysis, the harms and benefits of a decision to the different parties that would be affected by the decision are evaluated, with some sort of weight given to the various harms and benefits that assesses their degree. Most utilitarian analysis focuses on the good of the group or collective as a whole over that of any given individual, unless the most serious harm is to the individual—for example, if the decision would be fatal to the individual. Putting the collective, which can include an organization's interest, over that of the individual avoids the problem of self-interest. A second question in the ethical decision-making framework for managers, then, would be as follows: Who will be affected by the decision and to what extent will the various parties affected by this decision be harmed or benefited?

Justice

Principles of justice are a third way for managers to reason about ethical decisions. Just decisions require fairness, equity, and impartiality on the part of decision makers,

particularly with respect to the ultimate burdens and benefits that will accrue from the decision. The philosopher John Rawls has discussed the justice criterion in terms of a concept of what he terms distributive justice, which invites decision makers to make a decision behind a veil of ignorance that suggests that they do not know where in the system they will be after the decision is made. This veil-of-ignorance consideration forces managers to take into account the fairness of the decision to any party that will be affected. Similarly, the philosopher Immanuel Kant suggests that justice can be taken into account using the concept of —categorical imperative; that is, one should only act a given way or make a given decision if the decision maker can agree that it would be all right if any person in a similar situation acted that way. Alternatively, one can think of the categorical imperative as asking the decision maker whether this action or decision would be all right if it became a universal law. In considering justice, then, decision makers have to ask, how does this decision square with the canons of justice?

Ethic of Care

In addition to assessing a moral conflict from the perspective discussed above, ethical managers and leaders also need to look at the impact of a decision on the network of relationships that will be affected. This perspective is called the ethic of care. Based on feminist writings, the ethic of care proposes that one's moral responsibilities vary according to how closely one is linked to other people. That is, if a person is very close to another person, say, a family member, there will be more moral responsibility for ensuring the well-being of the family member than the well-being of an unrelated person. In an organizational context, using an ethic of care, more consideration might be given to the impact of a decision on long-term employees, who are more tightly connected to the organization and its goals, than to its impact on newly hired employees.

Q.3A. a judge is sending a murderer to prison. However, the judge knows the convict will not commit any more violent crimes, and wants to be lenient based on this knowledge (maybe the convict is very old and terminally ill). The judge knows that this will make the convict very happy, not to mention their family and friends. Additionally, he feels that the victim's family has forgiven the convict and will not feel pain as a result of this decision. Therefore, decides to waive his imprisonment.

Which ethical theory has the judge chosen to make a decision? (3 marks)

To utilitarian, the choice that yields the greatest benefit to the most people is the choice that is ethically correct. Act utilitarianism adheres exactly to the definition of utilitarianism as described in the above section. In act utilitarianism, a person performs the acts that benefit the most people, regardless of personal feelings or the societal constraints such as laws. As explained above, act utilitarianism is solely concerned with achieving the maximum good. In the given case, judge has exercised act utilitarianism because the judge decided to let go the convict which will give maximum happiness to his family and friends. And this decision will not cause pain to the victim's family thereby focusing on maximizing happiness for everyone.

What are the drawbacks of this ethical theory? (2 marks)

According to this theory an individual's rights may be infringed upon in order to benefit a greater population. In other words, act utilitarianism is not always concerned with justice, beneficence or autonomy for an individual if oppressing the individual leads to the solution that benefits a majority of people. Another source of instability within act utilitarianism is apparent when a utilitarian faces one set of variable conditions and then suddenly experiences a change

in those variables that causes her to change her original decision. This means that an act utilitarian could be nice to you one moment and then dislike you the next moment because the variables have changed, and you are no longer beneficial to the most people.

Q.3B. The 2001 scandal with American oil giant Enron, was exposed for inaccurately reporting its financial statements for years, with its accounting firm Arthur Andersen signing off on statements despite them being incorrect. The deception affected stockholder prices, and public shareholders lost over \$25 billion because of this ethics violation.

In light of the above example, how will you analyse an ethical dilemma representing a conflict between an organization's economic performance and its social obligation?

Analysis of Ethical Problems in Management

Economic Analysis (Pareto Optimality)

Ethics are not relevant in business, beyond the normal standards not to lie, cheat, or steal. All that is necessary is to maintain price-competitive markets and recognize the full costs of production in those prices, and then the market system will ensure that scarce resources are used to optimally satisfy consumer needs. A firm that is optimally satisfying consumer needs, to the limit of the available resources, is operating most efficiently and most profitably. Consequently, business managers should act to maximize profits, while following legal requirements of no conclusion and equal opportunity and adhering to personal standards of truthfulness and honesty. Profit Maximization leads automatically from the satisfaction of individual consumer wants to the generation of maximum social benefits. Profit maximization is the only moral standard needed for management. If we look at microeconomic theory as an ethical system of belief, explaining our responsibility to others within the company and within the society - to employees, customers, suppliers, distributors, and residents of the local area - then it simply falls apart because of the unlikely assumptions about human nature and human worth.

Legal Analysis

The law can be defined as a consistent set of universal rules that are widely published, generally accepted, and usually enforced. These rules describe the ways in which people are required to act in their relationships with others within a society. They are requirements to act in a given way, not just expectations or suggestions or petitions to act in that way. The law is a guide to managerial decisions and actions, but it is not enough. And certainly, the absence of a law is not enough to excuse some of those decisions and actions.

Ethical Analysis

Philosophic analysis, based on rational thought processes. The view is that a manager should always act in accordance with either a single principle of behavior or a single statement of belief that is "right" and "proper" and "just" in and by itself. This is "moral reasoning": logically working from a first principle through to a decision on the duties we owe to others. Philosophy is the study of thought and conduct. Normative philosophy is the study of proper thought and conduct; that is, how we should behave. Morality refers to the standards of behavior by which people are judged, and particularly to the standards of behavior by which people are judged in their relationships with others. Ethics, on the other hand, encompasses the system of beliefs that supports a particular view of morality. The difference between morality and ethics is easy to remember if one speaks of moral standards of behavior and ethical systems of belief.

Ethical Relativism

Are there objective universal principles upon which one can construct an ethical system of belief that is applicable to all groups in all cultures at all times? Fortunately there is one principle that

does seem to exist across all groups, cultures, and times and that does form part of every ethical system; that is the belief that members of a group do bear some form of responsibility for the well-being of other members of that group.

Q.4. Coca-Cola India being one of the largest beverage companies in India, realized that CSR had to be an integral part of its corporate agenda. According to the company, it was aware of the environmental, social, and economic impact caused by a business of its scale and therefore it had decided to implement a wide range of initiatives to improve the quality of life of its customers, the workforce, and society at large.

However, the company came in for severe criticism from activists and environmental experts who charged it with depleting groundwater resources in the areas in which its bottling plants were located, thereby affecting the livelihood of poor farmers, dumping toxic and hazardous waste materials near its bottling facilities, and discharging waste water into the agricultural lands of farmers. Moreover, its allegedly unethical business practices in developing countries led to its becoming one of the most boycotted companies in the world.

Notwithstanding the criticisms, the company continued to champion various initiatives such as rainwater harvesting, restoring groundwater resources, and going in for sustainable packaging and recycling, and serving the communities where it operated. Coca-Cola planned to become water neutral in India by 2009 as part of its global strategy of achieving water neutrality. However, criticism against the company refused to die down. Critics felt that Coca-Cola was spending millions of dollars to project a 'green' and 'environment-friendly' image of itself, while failing to make any change in its operations. They said this was an attempt at green washing as Coca-Cola's business practices in India had tarnished its brand image not only in India but also globally. The case discusses the likely challenges for Coca-Cola India as it prepares to implement its new CSR strategy in the country.

Questions:

1. Analyse the CSR strategy adopted by Coca-Cola India and explain the concept of CSR. (3 marks)

According to the company, it was aware of the environmental, social, and economic impact caused by a business of its scale and therefore it had taken up a wide range of initiatives to improve the quality of life of its customers, the workforce, and society at large.

Since the company used large amounts of water and energy in its beverage production and tons of packaging material for its products, it had taken up several initiatives to act as a responsible company and reduce its environmental impact, it said. In addition to water, energy, and sustainable packaging, Coca-Cola India also focused on several community initiatives in India as part of its social responsibility initiatives.

Corporate social responsibility (CSR) promotes a vision of business accountability to a widerange 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.

2. What are the key drivers pushing companies towards CSR?(4 marks)

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. (More on socially responsible investment can be found in the 'Banking and investment' section of the site.)

Competitive labour 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.

3. What could be the positive outcomes if Coca-Cola India had adopted an environment friendly operations strategy and CSR initiative right from the beginning? (4 marks)

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.

4. In light of the criticisms, what would you like to suggest Coca-Cola India to include in its new CSR strategy? (4 marks)

- The company should install large projects with many of the employees so that the work can be done in efficient manner.
- There should always be a nutritionist present in the company who would have complete knowledge about their ingredients
- The company should also be moving their packing industry away from the rivers and lakes so that it doesn't affect the environment
- They should start more campaign to prove that their products are free from dirt and are safe for enjoying.
- The company should opt for such facilities and operations which enables them to make the aerated drink with optimum consumption of water. They should focus on reducing water use by improving water efficiency.
- Recycling water through wastewater treatment and returning all water used in manufacturing processes to the environment at a level that supports aquatic life and agriculture.
- To create awareness in the minds of the people by conducting various campaign on water conservation management, health and environment sustainability.