INSTITUTE OF ACTUARIAL & QUANTITATIVE STUDIES

Subject: Professional Ethics

Chapter: Unit 1 & 2

Category: Practice Questions

1. Define Business Ethics & state a few characteristics of Business Ethics.

2. Read the following case study and answer

In the movie Changing lanes, Ben Affleck plays a young lawyer who is anxious to become a senior partner in a law firm in which one of the senior partners is his father in law played by Sidney Pollack. Affleck discovers that his father in law has embezzled from clients, forged documents,etc. Affleck finally confronts Pollack and asks "How do you live with yourself?" Pollack responds that he did indeed embezzle, forge and perjure himself but with the money he made he is one of the city's greatest philanthropist "At the end of the day if I have done more good here than bad in making the money, I'm happy."

Under which ethical theory would you place Affleck? Explain the theory.

3. Case study on Conflict of Interest

Shanghai Company A sells products in two modes, direct sales and indirect sales by distribution. Employee Li joined Company A in April 2007 as sales manager, in charge of both direct and indirect sales.

In March 2016, after receiving an anonymous whistleblowing and a thorough investigation, Company A found that Li established Company B as one of the stockholders with a registered business scope partially coincident with that of Company A. Also, according to the registration information of Company B, Zhang is its operating director and her husband is one of the stockholders of Company B. After verification, Zhang is the legal representative of a distributor of Company A, named Company C. By on-site investigation, Company A found that the actual office address of Company B and C is in a same place. Company A also found that Li referred the clients from whom he got inquiries and sales opportunities to Company C, and Company C made the deal with the clients eventually.

In view of this circumstance, Company A terminated the employment contract in May 2016 on the grounds that Li 1) failed to declare that he was engaged in competitive business and caused conflict of interest (establishing Company B), and 2) flew orders, causing conflict of interest and substantial economic loss to the employer. Li thought the termination is illegal and initiated the labor arbitration.

- According to Li's viewpoints:

1) Company A only requested for conflict-of-interest declaration during on-board process in year 2007 while Company B was established in year 2013. The declaration made in year 2007 are all authentic information and after that Company A did not require further declaration;

2) Although the registered business scope of Company A and B partially coincide, Company B is a small company with a registered capital of RMB500,000 and has no capacity to compete with Company A, a world-renowned company.

3) Due to customer requirements for multi-party price comparison, Li exchanged the information of clients and their requests to the distributors. The ultimate goal is to win more orders for Company A. Also, Company A did not ban him from helping distributors selling products.

4) Company A did not get any harm or loss in this whole case.

- According to viewpoints of Company A:

1) The declaration from has requested for in-time further declaration of any changed information, but Li did not inform the employer of such information;

2) According to the agreement signed between Company A and Company C, Company A needs to pay rebates to Company C based on its sales revenue. In another word, direct sales mode gains more profits for Company A than distribution sales mode in same sales revenue. Judging from sales practices or thinking of maximizing profits, it was wrongful conduct for Li to refer the sales opportunity to distributor;

3) Also based on the agreement, the aim for Company A to set up distribution sales mode, is to expand more sales channels, promote sales revenue by sacrificing a portion of the profits (rebates). It is clearly contrary to the fundamental purpose of Company A as market expansion if potential clients of direct sales mode in Company A are referred to the distributors;

4) Li and Zhang co-founded Company B and Zhang is an interested person and have a special relationship with Li. Due to such special relationship, Li ignored the interest of Company A and referred the potential direct sales business to Company C, which clearly constituted a violation of labor disciplines and royalty obligations.

1. Is there any conflict of interest or competitive relationship between Company A and B?
2. Is there any conflict of interest between Li and Distributor C?

4. Define Work Ethics & mention the 5 characteristics of good work ethics.

5. Define code of conduct & what comes under it.

6. Read the below case study and answer the following questions

- The company is concerned about the corporate responsibility through which it ensures the satisfaction of its people and customers, top quality of its products, enrichment of its community, and protection of its environment.

- The company runs with a CSR statement, “Do the right things because it’s the right thing to do.” It focuses on their approach towards the community.
- The Chief People and Culture Officer of the Company, David Klages, said, “This is a people business as much as a pizza business.” That further shows their concerns about customers, suppliers, employees.
- The report further states that every minute a supply truck arrives at a Domino’s Pizza Enterprises Ltd. store, somewhere in the world. It shows the level of procurement the company is involved in.
- Overall, the company is much concerned about the satisfaction of its customers. The customer is asked to provide feedback on their order for every delivery it makes. That makes the company responsible for each order.

Identify the Corporate Governance theory followed by the above company & explain the theory.

7. What is the role of the chairman as stated by the board?

8. Name a few credit rating agencies in India and list down a few functions of these agencies.

9. List down a few benefits of separation of roles of Chairman and CEO.

10. Give a recent example of a corporate social responsibility initiative by a company.