

**NCRD's Sterling Institute of Management Studies,
Nerul, Navi Mumbai**

TERM END EXAMINATION MMS SEM IV APRIL 2014

Sub: - Business Ethics & Corporate Governance

Date: 5/04/2014

Time: 10.30 am to 1.30 pm

Day: Saturday

Marks: 60 Marks

Roll No:

Instructions: Section I is compulsory. (1 Question x 20 Marks = Total 20 Marks)

Section II - Attempt any two. (2 Questions x 10 Marks = Total 20 Marks)

Section III - Attempt any four. (4 Questions x 5Marks = Total 20 Marks)

Section I

Q.1 Read the attached case and answers the questions given at the end.

Nike

Nike is in many ways the quintessential global corporation. Established in 1972 by former University of Oregon Track star Phil Knight, Nike is now one of the leading marketers of athletic shoes and apparel in the world. The Company has \$10 billion in annual revenues and sells its Products in some 140 countries. Nike does not do any Manufacturing. Rather, it designs and markets its products, while contracting for their manufacture from a global Network of 600 factories owned by subcontractors that employ some 550,000 people. This huge corporation has made Knight one of the richest people in America. Nike's marketing phrase "Just Do It!" has become as recognizable in popular culture as its "swoosh" logo or the faces of its celebrity sponsors, such as Tiger Woods.

For all of its successes, the company has been dogged for more than a decade by repeated and persistent accusations that its products are made in sweatshops Where workers, many of them children, slave away in hazardous conditions for wages that are below subsistence level. Nike's wealth, its detractors claim, has been built upon the backs of the world's poor. Many See Nike as a symbol of the evils of globalization—a rich western corporation exploiting the world's poor to

provide Expensive shoes and apparel to the pampered consumers of the developed world. Niketown stores have become standard targets for antiglobalization protesters. Several nongovernmental organizations, such as San Francisco-based Global Exchange, a human rights organization dedicated to promoting environmental, political, and social justice around the world, have targeted Nike for repeated criticism and protests. News programs, Such as CBS-TV's 48 Hours, have run exposés on working conditions in foreign factories that supply Nike. Students on the campuses of several major U.S. universities with which Nike has lucrative sponsorship deals have protested the ties, citing Nike's use of sweatshop Labor.

Typical of the allegations were those detailed in 48 Hours program that aired in 1996. The report painted a picture of young women at a Vietnamese subcontractor who worked with toxic materials six days a week in poor conditions for only 20 cents an hour. The report also stated that a living wage in Vietnam was at least \$3 a day, an income that could not be achieved at the subcontractor without working substantial overtime. Nike and its subcontractors were not breaking any laws, but this report, and others like it, raised questions about the ethics of using sweatshop labor to make what were essentially fashion accessories. It may have been legal, but was it ethical to use subcontractors who by Western standards clearly exploited their workforce? Nike's critics thought not, and the company found itself the focus of a wave of demonstrations and consumer boycotts.

Adding fuel to the fire, in November 1997 Global Exchange obtained and leaked a confidential report by Ernst & Young of a Nike-commissioned audit of a Vietnam factory owned by a Nike subcontractor. The factory had 9,200 workers and made 400,000 pairs of shoes a month. The Ernst & Young report painted a dismal picture of thousands of young women, most under age 25, laboring 10 1/2 hours a day, six days a week, in excessive heat and noise and in foul air, for slightly more than \$10 a week. The report also found that workers with skin or breathing problems had not been transferred to departments free of chemicals. More than half the workers who dealt with dangerous chemicals did not wear protective masks or gloves. The report stated that in parts of the plant, workers were exposed to carcinogens that exceeded local legal standards by 177 times and that, overall, 77 percent of the employees suffered from respiratory problems.

These exposés surrounding Nike's use of subcontractors forced the company to reexamine its policies. Realizing that, even though it was breaking no law, its subcontracting policies were

perceived as unethical, Nike's management took a number of steps. These included establishing a code of conduct for Nike subcontractors and instituting annual monitoring by independent auditors of all subcontractors. Nike's code of conduct included requiring that all employees at footwear factories be at least 18 years old and that exposure to potentially toxic materials does not exceed the permissible exposure limits established by the Occupational Safety and Health Administration (OSHA) for workers in the United States. In short, Nike concluded that behaving ethically required going beyond the requirements of the law. It required the establishment and enforcement of rules that adhere to accepted moral principles of right and wrong.

1. What are the ethical issues in this case?
2. Imagine that you are Phil Knight, Nike's founder and chairman of the board, and that you have been asked to speak at a news conference on Nike's efforts to be a good corporate citizen.

Section II

- Q.2** Explain the importance of ethics in business? What influences the unethical practices in India?
- Q.3** Explain in detail the ethical decision making process by citing an example.
- Q.4** What is Corporate Governance? Explain failure of governance by using any case you know (Ex. Enron, World Com, Satyam)

Section III

- Q.5** Write short note on "Kohlberg's Theory of Moral Development"
- Q.6** Write short note on Adrian Cadbury Committee Report
- Q.7** Whether good business ethics can be forced by regulatory bodies, government or voluntarily accepted by companies or combination of both discuss in detail.
- Q.8** What is meant by Business Ethics ? Distinguish between Ethics & Business Ethics.
- Q.9** What are the driving forces of corporate governance in India?
- Q.10** Bring out the highlight of code of ethics adopted by Tata Group of Companies.