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**POST GRADUATE DIPLOMA IN MANAGEMENT (2017-19)  
END TERM EXAMINATION (TERM - V)**

Subject Name: Business Ethics & Corporate Governance

Time: **02.00 hrs**

Sub. Code: PG - 28

Max Marks: **45**

**Note:**

- 1. Writing anything except Roll Number on question paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.**
- 2. All questions are compulsory in Section A, B & C. Section A carry 2 Case Studies of 10 marks each, Section B carries 2 questions of 7.5 marks each and Section C carries 5 questions 2 marks each.**

**SECTION - A**

**10×02 = 20 Marks**

Q. 1: Case Study:

**Ethical Leadership: Ratan Tata and Tata's group**

"We have endeavoured to uphold a value system that has been part of our tradition, and we've been disadvantaged repeatedly in that we have lost projects, projects have been delayed....," said Ratan Naval Tata (Ratan), Chairman of Tata Sons Ltd., the holding company of The Tata Group, on the difficulties of doing business in his home country - India, "And in that sense, we would like to keep the Group ferociously protecting this one asset."

As he prepared to hand over the reins of the group to his successor by the end of 2012, Ratan's job was to ensure that his successor carried forward the legacy of the Tatas and did not view its ethical standards and values as a burden while operating in this key emerging market.

Ratan was credited with transforming The Tata Group under his leadership and bringing it into the 21st century. While the septuagenarian was applauded as an astute leader and for continuing the Tatas' tradition of ethical leadership, his name was also drawn into the infamous 2G scam that surfaced in India in 2010. Allegations that the Tata Group had not 'walked the talk' and that it was involved in what was being described as India's biggest scam, had dented the image of the group. For generations of Indians and even outside the country, the word Tata had been synonymous with "trust" and "integrity". The group was well known for its corporate social responsibility and principles such as the "Tatas don't bribe" and the "Tatas don't indulge in politics". Strict adherence to these principles had led to the group prospering under the predecessors of Ratan and under his reign becoming the best-known Indian group in the world....

The Tata Group, which was founded by Jamsetji Tata in 1868, had grown to comprise over 100 companies in seven business sectors - communications and information technology, engineering, materials, services, energy, consumer products, and chemicals. Initially inspired by the spirit of nationalism, the group had pioneered several industries of national importance in India - steel, power, hospitality, and airlines. As of early 2012, the major Tata companies were Tata Steel, Tata Motors, Tata Consultancy Services, Tata Power, Tata Chemicals, Tata Global Beverages, Tata Teleservices, Titan, Tata Communications, and Indian Hotels.

Each enterprise in the Tata Group operated independently, with its own board of directors and shareholders. These enterprises had a combined market capitalization of about US\$80.59 billion (as on January 19, 2012), and a shareholder base of 3.6 million. The Tata Group had had a series of illustrious leaders - Jamsetji Tata (1868-1904), Sir Dorab Tata (1904-1932), and JRD Tata (1932-

1991) - who spurred the growth of the company, taking it into newer businesses. But it was Ratan Tata, who took over the reins of the company in 1991, who was credited with making Tata a truly global group.

Since its inception, the Tata Group had sought to function with ethics, integrity, social consciousness, and fairness. According to Ratan, these values were an integral part of the group and the questions one needed to ask while making decisions were: "Does this stand the test of public scrutiny in terms of what I said earlier? As you think the decision through, you have to automatically feel that this is wrong, incorrect, or unfair.

You have to think of the advantages or disadvantages to the segments involved, be it employees or stakeholders." The group's strategy of 'Leadership with Trust' sought to achieve higher value for its stakeholders, better returns for society, and an ethical model of business

The Tatas were one of the first private players to foray into the Indian telecom sector. This sector had witnessed unparalleled growth since the dawn of the new millennium, attracting the attention of Indian as well as global telecom companies. The growth of the Indian telecom sector was often attributed to the country's good telecom policies. However, there were murmurs in certain sections that the leading players in the sector had grown by taking advantage of the government's ignorance of the telecom sector in the earlier years of the roll-out of services.

Ratan vehemently denied the allegations that Tata Teleservices had been a beneficiary of the 2G scam. Rather, he claimed that it was a victim. According to him, as Tata Teleservices complied with all application requirements, rivals with better political connections had jumped ahead in the queue and taken most of the spectrum. For getting its share of the spectrum, the company had had to fight an 83-day legal battle with the government. "We haven't had a level playing field. We're still waiting for spectrum. We're still behind the eight ball on several of the things that we should get," claimed Ratan Tata.

Going forward, the Tata Group was focusing on new technologies and innovation to drive its business in India and internationally. The aim of the group was to build multinational businesses that would achieve growth through excellence and innovation, while balancing the interests of shareholders, employees, and civil society. Ratan believed that one of the biggest challenges for the group was retaining its value systems as it grew bigger and more diverse. He believed that the group had to expand the managerial perspective while retaining the same ethical and moral standards.

Under the two-decade reign of Ratan, the Tata Group had been transformed into a global company while still retaining its preeminent position in India. However, the belief that "Integrity" and "Tata" were synonymous had come into question following the 2G scam. At the fag end of his illustrious career, Ratan himself seemed to be frustrated with the level of corruption in his home country which, he argued, had held his group back. In his words: "I think corruption has become worse and if you choose not to participate in this, you leave behind a fair amount of business... You have a non-level playing field and those who do not participate in this (paying bribes) live at a disadvantage."

- a) Analyse the leadership style of Ratan Tata focusing on the core values he live by that have made Tata group what it is today?
- b) Evaluate the leadership challenges faced by Ratan Tata in his journey and suggest possible solutions to sustain in an emerging economy?

Q.2: Case Study:

- a. The recent cases of banking frauds in the country have highlighted the need for tighter control and corporate governance. Discuss the cases on Nirav Modi PNB and Vijay Mallya SBI through an understanding of the corporate governance. In this respect highlight the role of BOD and stakeholders in the banking sector?

- b. Coke Cola's Corporate Social Responsibility and sustainability initiatives are only limited to compensating for the loss they are occurring to the environment. Critically evaluate the initiatives from the Carroll's CSR pyramid and The Triple Bottom Line to understand the performance of Coke on these concepts?

**SECTION – B**

**7.5×02 = 15 Marks**

Q. 3: Business Ethics has evolved over time and so has its theories. Take examples from the global corporations, explain how certain companies have adopted the various theories of business ethics for their working. Focus more on consumer driven companies.

Q. 4: Discuss the ethical and governance scenario in India by highlighting the ethical and unethical practices adopted by organizations in the retail sector, automobile, insurance and food sector.

**SECTION – C**

**02×05 = 10 Marks**

Q.5 (A): Walton's stages of ethical dilemmas

Q. 5 (B): Kohlberg's moral development stages

Q. 5 (C): Whistle Blowing

Q. 5 (D): Kumar Mangalam Birla Committee report on corporate governance

Q. 5 (E): Nike's sweatshop case