

# **S. S. Jain Subodh Management Institute**

**MBA IVth Semester, (Model Paper & Suggested Answers)**

**Subject: Business Ethics & Corporate Governance**

**Paper Code: M-401**

**Time: 1 Hour**

**Max Marks: 10**

All questions are compulsory

Q1. What Are the Causes of Unethical Behavior in the Workplace? (5)

Q2. Define Ethics. Give Five Characteristics of a Good Work Ethics. (5)

**MODEL ANSWER PAPER**

**Sol. 1 [Students are expected to define first what is an unethical behavior and then tell the causes of unethical behavior]**

**Unethical Behavior-**

An unethical behavior is defined as any behavior prohibited by law. In a dynamic business environment, a —large gray area exists that makes it difficult and unclear to distinguish what is ethical. An unethical behavior would therefore be defined as one that is not morally honorable or one that is prohibited by the law. Many behaviors will fall in the classification including corruption, mail and wire fraud, discrimination and harassment, insider trading, conflicts of interest, improper use of company assets, bribery and kickbacks, compliance procedures, ethical relations with others, disciplinary action, fraud, illegal business donations, patent infringement and product liability.

Today, the most common causes of unethical behavior are:

**1. False Communications:**

False communications fall into various categories. They include falsification of auditor's or controller's report or any form of manipulation that does not tell the whole truth. These include cheating on tax returns or inappropriate depreciation schedule and wrong expenses. Feeding the public with wrong report of the organization's business performance to make the organization look good is another common practice.

**2. Collusion:**

Collusion, especially with competitors, to fix prices, is an unfair business practice today. This could be considered stealing from customers. However, there are differences of opinion on whether or not price fixing is stealing from customers.

**3. Gifts and Kickbacks:**

Some organizations do not allow their employees to receive gifts from clients during normal course of business. Those who do, generally provide guide lines on limitations as to the amount an employee can receive as gift. Sometimes a buyer may request for kickbacks or entertainment which, if not provided, may lead to the loss of the customer. An employee frequently receives pressure from the management to behave unethically or to obtain profitable business at any cost, which may include the use of any possible dirty tricks. The employees who desire to be retained or promoted have no choice but to dance to the tune of the management. This is because there were cases of those who refused to behave unethically the way management instructed and were fired or nearly fired.

#### **4. Conflict of Interest:**

Conflict of interest occurs when one's private interest interferes or appears to interfere in any way with the interest of the organization. According to Sliglitz, it can be argued that there is no conflict of interest because, based on Adam Smith's view, the individuals, when pursuing their own self-interest are actually pursuing the general interest of society. Some examples of conflicts of interest are:

- diverting from the organization for personal benefit, a business opportunity,
- using the organization's assets for personal benefit,
- accepting any valuable thing from the organization's customers or suppliers, and
- having a financial interest in an organization's competitor.

#### **5. Unethical practices in the Health Care Sector:**

There are three common unethical practices in the Health Care Sector. The first is refusing to provide health care services to the patients who have no medical insurance. Some Health Centers do not admit patients who have no insurance unless they can provide evidence that they have the ability to pay for the health service. The second unethical practice in the health care sector is over treating patients to boost income. The third is doing surgery at surgical centers instead of the hospital so that the doctors do not have to —pull call at any hospital.

#### **6. Insider Trading:**

Insider trading is an unethical behavior which occurs when a person who has access to confidential information uses or shares the information for securities trading purposes or any other purpose except the conduct of regular company business. The confidential information of the company are not to be used for achieving personal gain neither are they to be disseminated directly or indirectly, to friends, family members and other outsiders who may in turn trade on or misuse the information.

#### **7. Discrimination and Harassment:**

Discrimination involves not providing equal opportunity in employment on merit but on other basis such as race, sex, national origin, age, religion, or any other basis not related to the job. Harassment is a derogatory comment or unwelcome sexual advances.

#### **8. Wrong Doing:**

A large number of people, including top management, are involved in wrong doing both in the public and in the private sectors. The managers of E.E. Hutton, for example, were found guilty of

2000 mail and wire fraud. Similarly, the supervisors of a defense contractor were accused of falsifying time cards.

**Sol. 2: [Students are expected to define work ethics and tell the characteristics of good work ethics with explanation]**

Work ethic is a value based on hard work and diligence. It is also a belief in the moral benefit of work and its ability to enhance character. Workers exhibiting a good work ethic in theory would be selected for better positions, more responsibility and ultimately promotion. Workers who fail to exhibit a good work ethic may be regarded as failing to provide fair value for the wage the employer is paying them and should not be promoted or placed in positions of greater responsibility.

**Five Characteristics of a Good Work Ethics:**

**1. Reliability**

Reliability goes hand in hand with a good work ethic. If individuals with a good work ethic say they are going to attend a work function or arrive at a certain time, they do, as they value punctuality. Individuals with a strong work ethic often want to appear dependable, showing their employers that they are workers to whom they can turn. Because of this, they put effort into portraying – and proving -- this dependability by being reliable and performing consistently.

**2. Dedication**

Those with a good work ethic are dedicated to their jobs and will do anything they can to ensure that they perform well. Often this dedication leads them to change jobs less frequently, as they become committed to the positions in which they work and are not eager to abandon these posts. They also often put in extra hours beyond what is expected, making it easy for their employers to see that they are workers who go beyond the rest of the workforce and truly dedicate themselves to their positions.

**3. Productivity**

Because they work at a consistently fast pace, individuals with a good work ethic are often highly productive. They commonly get large amounts of work done more quickly than others who lack their work ethic, as they don't quit until they've completed the tasks with which they were presented. This high level of productivity is also due, at least in part, to the fact that these individuals want to appear to be strong workers. The more productive they are, the more beneficial to the company they appear to those managing them.

#### **4. Cooperation**

Cooperative work can be highly beneficial in the business environment, something that individuals with a strong work ethic know well. Because they recognize the usefulness of cooperative practices -- such as teamwork -- they often put an extensive amount of effort into working well with others. These individuals commonly respect their bosses enough to work with any individual with whom they are paired in a productive and polite manner, even if they do not enjoy working with the individuals in question.

#### **5. Character**

Those with a good work ethic often also possess generally strong character. This means they are self-disciplined, pushing themselves to complete work tasks instead of requiring others to intervene. They are also often very honest and trustworthy, as they view these traits as befitting the high quality employees they seek to become. To demonstrate their strong character, these workers embody these positive traits daily, likely distinguishing themselves from the rest.