

Code No: MB1633/R16

MBA III Semester Regular/Supplementary Examinations, Nov-2019

BUSINESS ETHICS AND CORPORATE GOVERNANCE

Time: 3 Hours

Max. Marks: 60

*Answer Any FIVE Questions
All Questions Carry Equal Marks
Question No. 8 is Compulsory*

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| 1. a | What is the importance of business ethics? | 4M |
| b | What are the theories of business ethics? | 8M |
| 2. a | Explain the ethical decision making. | 6M |
| b | What is the impact of globalization on Indian business ethics? | 6M |
| 3. a | Explain the various studies on the ethical attitudes of managers | 6M |
| b | What are the developments of Indian capital markets? | 6M |
| 4. a | What are the ethics in marketing? | 6M |
| b | Explain the ethics in HRM. | 6M |
| 5. a | Write about pricing and ethical responsibility. | 6M |
| b | Explain the target marketing ethics of sales | 6M |
| 6. a | Write about corporate governance and its overview? | 6M |
| b | What are the good corporate governance practices in India ? | 6M |
| 7. a | What are the HR related ethical issues ? | 4M |
| b | Explain the Sarbanes – Oxley Act – 2002. | 8M |

8. CASE STUDY

In January 2005, Nestle announced that it would make Peter Brabeck-Letmathe (Brabeck) as its Chief Executive Officer (CEO), the combined CEO and Chairman of the Company. Brabeck, who has served Nestle for eight years as its CEO, is the next to succeed Rainer Gut (Gut) as the Chairman of Nestle after Gut retired on April 14th 2005. Reacting to the decision of Nestle, Ethos Foundation (Ethos), along with a group of other pension funds, submitted their proposals at Nestle's AGM demanding the company to change its policy of promoting the role of combined Chairman and CEO. Other proposals of Ethos included reduction of the tenure for directors on board from five years to three years and also decrease in the threshold shareholding equity for filing resolutions at the annual meetings from 1 million francs (as prevailing at Nestle) to 100,000 francs.

It was opined that Nestle was not following the standard practice of international corporate governance that mandates two different individuals to hold the positions of Chairman and CEO. Moreover, 95% of FTSE 350 companies follow the practice of separating the roles of Chairman and CEO. While in Britain, France and Switzerland, the practice of separating the role of the Chairman from the CEO is getting more prominence; in Germany, the two are separated under law. The tide is also turning in the US where companies had traditionally combined the responsibilities of the CEO and Chairman. By 2005, one-third of the Fortune 500 companies have split the roles of CEO and Chairman.

It was observed that Nestle was unsuccessful in finding a competent person for the post of CEO. Gavin Anderson, CEO of Governance Metrics International (GMI) commented, "The Board has failed in succession planning." However, Nestle argued that it followed the decision of its Board of Directors and its Executive Board that voted Brabeck as the best man to hold both the positions. Brabeck said, "For us, the decision must be about a well thought-through governance construct that seeks the smoothest and most cost-effective division of responsibility for strategy, control and execution between the board of directors and the executive board. We have come to the conclusion that – under present conditions – the best solution for Nestle is the double mandate."

- i. Why the Nestle was not followed the standard practice of International Corporate Governance that mandates two different individuals to hold the positions of Chairman and CEO?
- ii. How the Brabeck, the combined CEO and Chairman of the Company Nestle justified its decision?
