

PGDM-IBM, 2018-20
Sub.: Responsible Business
Paper Code: INS-603
Trimester-VI, End Term Examinations: February-2020

Time Allowed: 2½ hrs.

Roll No.: _____

Marks: 50

Instruction: Students are required to write Roll No. on every page of the question paper. Writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Section A

(3x 10 = 30)

Each question carries equal marks

A 1. Define Corporate Social Responsibility .Pl explain in detail concept of "The Pyramid of Corporate Social Responsibility. Who has propounded it? (C3 & C4)

Or

Define Corporate Social Responsibility .Pl explain in detail concept of "The Sphere of Influence.". How does it help companies in formulating their CSR strategy? (*C3&C4*)

A 2. What is difference between Ethics and Law? Please give an example of a company who was found to be indulging in unethical practice and its ramification on their business operations.

A3. Describe the principles of UN Global Compact. Has this initiative helped in nudging the companies to adopt Responsible Business behaviour? (C5 & C1)

Section B

(2x10 =20)

Each question carries equal marks

Pl read the case and answers the questions given at the end of the case.

Who Benefits, the Consumer or the Company?

Mukund is a sales representative for a large life insurance company. He has been with the company for more than five years. He has got good communication and presentation skills. He has attended several workshops on sales and marketing to enhance his skills. The company is happy with his performance and gives good salary and commission on the policies he sells. Things have been going well, or so he thinks.

Mukund has been given several plans to sell. One of the insurance products is a plan that is a combination of insurance and savings bundled together. It provides protection for premature death, savings that can be used for retirement, or an emergency fund that can be accessed quickly without hassle. The company is keen for more sell of this plan as it gives them more premiums. In order to push the sales, the company gives sales people a commission of 110 percent of the first year's annual premium,

The language used in the agreement paper is hard to understand. The company knows that clients don't read clauses of the agreement in detail but jumps to conclusions on the basis of pitch of their sales persons.

This insurance product is more expensive to purchase, and for young families it provides the least amount of protection in case of premature death of the breadwinner. Another disadvantage of having that product is a low return on investment after its maturity, somewhere between 5 percent and 6 percent net. Mukund has other products those are considerably cheaper and provide much greater insurance protection, and at the same time would let the insured invest the difference in another product (i.e., an annuity) that provides a greater return. But the commissions paid by the company on such products are very low.

Mukund comes from a very humble background. His father, who was a schoolteacher, retired three years back. Being the only son to his parents, the responsibility for upkeep of the family rested on his shoulders. He has several impending financial needs. Hamza got married last year. His wife is expecting a child in few months. His younger sister will also be needing funds for college education next year. Mukund is in dire need of earning more to meet the existing and growing financial needs at home.

By knowing the features of the plan, he has clarity that this plan will not only dupe the people in need but will give them surprises at the time of settlement.

In his professional career till date he has never been involved in any unethical practices. From very childhood he has imbibed a value system not to adopt any unethical practice. While dealing with the clients, he has always remain truthful and always tried to give an objective assessment about the plan.

On this basis and conduct he has built his professional reputation. On the other hand he is haunted by the fact the company will be disappointed in case he does not push sale of this product. In the process he will lose not only money but also the job.

To seek advice on what is the right thing to do, Mukund reaches out to his best friend, Ahmad. According to Ahmad, the purpose of business is to maximize owner value through the sale of goods or services. According to him ethics in the business sense must be assessed in terms of whether or not a particular action contributes to the maximization of profit. Thus, it is logical that business imperatives be regarded as priority over ethical business practice. Mukund is not convinced about advice of his friend and also pondering over dimension and role of ethics taught in his MBA course.

He is facing this ethical dilemma and exploring possibilities of resolving this issue. Sometimes he is thinking whether he can work for bringing change in system and go for advocacy with regulators. This path would be full of sacrifices and in the process family will pay the price.

Questions:

B.1. Pl state the facts which have put Mukund in such a dilemma. Pl discuss the nature of ethical issue involved in this case. (C1 & C2)

B.2. What are alternatives available to Mukund for resolving this crisis? Pl suggest solutions so that ethical persons don't face such dilemma and also clients' protection can be ensured.

(C1 & C2)