

PGDM – Retail Management, Batch 2020 - 22
RESPONSIBLE BUSINESS
RM - 205
Trimester – II, End-Term Examination: January 2021

Time allowed: 2 Hrs 30 Min
Max Marks: 50

Instruction: Students need to carefully follow instructions communicated by the Exams department. Indulgence in Unfair Means will be treated seriously.

Sections	No. of Questions to attempt	Marks	Total Marks
A (Compulsory)	Answer 3 questions in this section: <ul style="list-style-type: none"> • One from either A1a or A1b [CILO* 1] • One from either A2a or A2b [CILO* 2] • One from either A3a or A3b [CILO* 3] 	3*10	30
B (Compulsory)	Case Study [Combination of CILOs] - Answer both questions	2*10	20
*CILO: Course Intended Learning Objectives			50

SECTION A – (10 marks * 3 questions) = 30 Marks

A1a) What is a ‘dirty hands problem’? The moral dilemmas in management are clashes of different conflicting moralities. What are those four spheres of moral responsibility? [CILO 1]

OR

A1b) What are the ways for addressing a moral conflict based on the ethical principles postulated by Immanuel Kant, Aristotle, John Stuart Mill, Thomas Jefferson, and Nicolo Machiavelli? [CILO 1]

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A2a) What is the difference between Friedman’s and Freeman’s doctrine? What theory did Edward Freeman postulate and how does that change the story of business? [CILO 2]

OR

A2b) How is ‘Sustainable Development’ defined by the United Nations General Assembly? Which SDGs are most relevant for businesses and why? Give suitable examples. [CILO 2]

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A3a) What are the key qualities of a responsible supply chain? What makes Patagonia an excellent product driven company with a responsible and sustainable supply chain? [C/LO 3]

OR

A3b) In India, what is the legal qualifying criteria for companies to do CSR? What is the role of the board? How is the CSR Committee formed? What are the duties of the CSR Committee? [C/LO 3]

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SECTION B – CASE STUDY (20 Marks, for 2 questions) (Combination of C/LOs)

Mr. Saran Prasad is a resident of Punjab, India. He is in the business of manufacturing washing soap and edible mustard oil. Both are sold in local markets in TIRE II and TIRE III cities / towns through mom and pop stores and through an extensive distributor network. The products are well known in the market for their quality. The business was started by his grandfather. In fact, the prosperity that the business had brought had enabled him to open their own stores in many places within the province. His father had grown and managed the business for 30 years. Prasad had been successfully running it for 5 years now as the sole owner, after his father passed on the ownership to him for taking the business forward. The brand name of washing soap is “Bright”. Washing soap business is doing very well. There are two brands in mustard oil, “Krishna” and “Rama”, of which Krishna is a bit more expensive than Rama and is also slightly better in quality because of the quality of mustard seeds used for manufacturing it is better than those used for manufacturing Rama. Krishna brand is more popular as compared to Rama. They both have different markets as per the affordability and taste of the buyers. Entire production is consumed within district and customers also come to unit to purchase loose oil. But in this mustard oil business, Prasad is facing an ethical dilemma.

Prasad produces edible oil from mustard seeds. The local seeds this year are yielding greenish / blackish oil, resulting in loss of demand from the market. Procurement of mustard oil seeds from states like Rajasthan, or far away states, and then processing them, is a costlier option. The production is affected by the increasing unreliable situation of power supply. Production capacity of the unit, for many years, had been 10 tins / day (1 tin holds 2 litres of edible mustard oil). In the past 5 years, he increased that to 15 tins / day by employing more labour to run more shifts. But due to frequent power cuts, production is affected, reducing the capacity to 10 tins in 2019. Production proved to be costlier than trading. The tins were sold to local distributors for ₹2000 with certification and quality control markings, and ₹1500 without these markings.

The production stopped for 5 months in 2020 due to the COVID-19 pandemic. The factory had to be closed down and salaries could not be paid after two months of nationwide lockdown. Prasad ensured that his salary is on hold and the staff gets paid in this time. There were very little orders, which could be met with some available stock. But when the stock was finished, there was no revenue. Prasad tried to ensure that the office stays in touch with the staff and workers who have been with the company for a long time. After resuming operations in August 2020, Prasad is running at 30% capacity with available staff

and workers, producing not more than a meagre 5 to 6 tins a day. Sustainability is at stake and the need for resilience is very high. Market demand is slowly rising, but many workers have not yet returned to the factory. He also has no cash reserve to pay salaries unless he starts selling more.

Additionally, the challenges with power supply and availability of seeds still lingers. The concern is not only on how to increase profitability, but also recovery and sustainability. There are many competing manufacturing units of mustard oil in that region. All of them are facing the same problems with seeds, power supply, and crisis due to the pandemic, leading to their losses too. As a consequence, they have started to blend mustard oil to reduce cost. Products going out into the market are not so authentic, and there are samples which are spurious. Low quality soybean oil, which is yellow and odour less is procured from other sources and mixed with mustard oil. All the units in that region are following this practice. This blending of oils reduces the production cost and maintains supply. Some units are also not doing billing properly, to avoid taxation and accountability. Some are even taking advantage of the situation, and paying half salaries and wages to staff and workers as they have no other places to go. Exploitation is now all time high, with profits kept at focus, by hook or by crook.

The dilemma faced by Prasad is whether he also should indulge in unfair practices such as blending mustard oil like everybody else, or practicing corruption with billings and orders? Or, should he uphold the quality he has been sending to distributors, the relationship he has with his employees and raw material suppliers, and focus on the long term rather than the immediate crisis? He is in dilemma and in deep thought, as he sits in his home quietly in this winter evening, looking at his wife and children.

Source: Adapted from a research article in International Journal of Humanity and Social Sciences.

Questions:

B1) What do you think Prasad should do? Use the case facts and concepts on business ethics and responsible business taught in class to form a logical decision. *[C/LO 1 and 3]*

B2) What is the difference between 'sustainability' and 'resilience'? How does this case illustrate that? *[C/LO 2]*