

PGDM, 2014-16

Responsible Business Module-I

DM-106

Trimester – I, End-Term Examination: September 2014

Time allowed: 1 Hr 30 Min

Max Marks: 50

Roll No: _____

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**. In case of rough work please use answer sheet.

Section A(5 Marks)

Write a short note on any **ONE** of the following:

1. Global Reporting Initiative
2. Spheres of Influence Model
3. ISO 14000 series

Section B (15Marks)

Attempt any **ONE** of the following questions:

Q1 What is the present Act of R&R 2013. List some of the provisions under it highlighting some of the contentious issues of land acquisitions which it could address.

Q2 Taking Example of one of the Cases of Irresponsible Corporate Behaviour done in class, enumerate and describe why you consider it as Irresponsible behaviour.

Section C (30 Marks)

Compulsory Case study

SUVs

Traffic fatalities in the United States fell steadily from 54,600 in 1972 to 34,900 in 1992.

But then they started to rise again.... America's ranking has fallen from first to ninth over the last 30 years, with Australia, Britain and Canada all having better records. A big part of the difference ... seems to be the prevalence of sport utility vehicles and pickups on American high-ways.

Sales of light trucks-SUVs, pickups and minivans were about a fifth of total automobile sales 30 years ago. Now they account for more than half.

"Although there was a slight decline in traffic fatalities in 2003 to 42,643, one significant caution for drivers was that ... the number of fatalities in SUVs from rollover accidents increased 7%, amid a 12% increase in the number of SUVs on the roads.

"SUVs have become a common feature of the U.S. automobile landscape. In terms of cars, U.S. citizens feel they should have the right to travel freely and express themselves in whatever way they feel appropriate. The open road is a way of life; and it seems the bigger the vehicle, the more suitable it is for tackling the giant highways that crisscross the country. As Dave Barry points out, however, some manufacturers are producing truly massive cars for which there is very little use in urban America. He describes the Chevrolet Suburban subdivision as the current leader in the humongous-car category ... the first passenger automobile designed to be, right off the assembly line, visible from the Moon." Slowly, as gas prices rise and the size of SUVs continues to grow, a debate is emerging around the role SUVs are playing on U.S. roads today:

Recent events make the business case [for CSR] seem a little worn. In an article for the Public Affairs Newsletter, Alexander Evans of the Institute for Public Policy Research (IPPR) questioned why, if consumers are so green, Sports Utility Vehicles have been the top-selling product line in the U.S.

SUVs are classed as trucks for the purposes of the Clean Air Act of 1990, passed to modernize laws on pollution. The advantage of this classification (rather than being labeled as cars) is that trucks are treated more leniently than cars in the legislation, and therefore the favourable classification was a significant victory for the automobile industry.

One example of the benefits this classification brings is that the luxury car tax, a 10% tax that applies to cars priced over \$30,000, exempts light trucks (with a gross weight over 6,000 pounds); therefore, it is in the interests of the car makers to make their SUVs as heavy as possible, decreasing prices and increasing profits: In 2001 "sales of light trucks [which include SUVs] topped those of cars for the first time."

This is despite a growing perception that SUVs "waste gas, crowd highways, and endanger motorists."

Late in 2004, the administration of George Bush discussed removing the generous tax break that encouraged many small business owners to buy bigger and heavier trucks or at least limiting it to those who legitimately need such vehicles for their business:

Those that qualify [for the tax break] must have a gross vehicle weight—which means when they are fully loaded—of more than 6,000 pounds.... The loophole allows [small business owners] to write off against their taxes up to \$100,000 from purchases of these trucks—usually the entire price of the vehicle."

In addition to the price, safety is another quoted reason why consumers choose SUVs. And it is true that SUVs are safe for those who are riding inside the SUV during a crash.

It would appear, however, that safety comes at the price of increased risk for all other drivers on the road." The theory that I'm going to protect myself and my family even if it costs other people's lives has been the operative incentive for the design of these vehicles, and that's just wrong," said Dr. Runge, the administrator of the National Highway Traffic Safety Administration (NHTSA).

SUVs are three times more likely than cars to roll over and cause deaths ... according to a recent study by the National Academy of Sciences." Light trucks-including SUVs, pickups and mini-vans-now outsell cars and account for nearly 40 percent of vehicles on American roads.

But they are involved in a disproportionate number of fatal crashes."

Dave Barry ironically points out: A big reason why people buy a Sport Utility

Vehicle is "safety," in the sense of, "you, personally, will be safe, although every now and then you may have to clean the remains of other motorists out of your wheel wells.

"Sales, however, are booming, and SUVs are too profitable for the auto industry to begin to think of surrendering the bonanza they are receiving: One out of every four new cars sold last year was an SUV, and sales of the monsters grew 6.3% even as the U.S. vehicle market fell 2%, according to researcher Auto data Corp. For the first time, so-called light trucks, including SUVs and extended-cab pickups, outsold passenger cars."

Mr. Bradsher describes how a single Ford factory in Michigan produced \$11 billion in annual S.U.V. sales (equal to the size of McDonald's global sales) and \$3.7 billion in pre-tax profits for the company

"SUV sales ... account for 90% of the Big Three's profits." There are also political reasons why the government might feel reluctant to upset the auto industry by stepping in to try and regulate a better social outcome:

Regulating SUVs is particularly sensitive because Michigan is a swing state in presidential elections and SUVs, which are coming under increasing attack from a variety of groups, are the main profit center of the domestic automakers. Andrew H. Card Jr., President Bush's chief of staff, also served as G.M.'s top lobbyist in the 1990s.

However, Jeffrey Runge (a former emergency room surgeon) at the National Highway Traffic Safety Administration (NHTSA) is trying to enforce design changes that would make SUVs safer and also advocating non-binding recommendations for reducing

SUV-related injuries by lowering bumpers, adding side air bags, and creating chassis with more "give" to soften impacts.... Safety and SUVs, as now designed, are mutually exclusive. ... Per 100,000 registered vehicles, the death rate from rollovers in SUVs is more than twice that of passenger cars."Runge's criticisms are joining a growing

anti-SUV voice that includes Christian environmentalists (the Evangelical Environmental Network)" who launched a popular "What would Jesus drive?" advertising campaign in 2002.

Other anti-SUV groups and campaigns include The Detroit Project, a coalition launched in 2003 that tenuously criticized SUV drivers for supporting terrorists because the high gas consumption of SUVs increases U.S. reliance on Middle East oil.

As the campaign's head, Arianna Huffington, succinctly puts it, Welcome to "The Detroit Project," our grass- roots campaign to prod Detroit automakers to build cars that will get Americans to work in the morning without sending us to war in the after- noon-cars that will end our dependence on foreign oil.

In Europe, a number of governments (including the Swedish, French, and British) are considering applying significant category-specific taxes to inflate SUV prices to consumers. The aim is to encourage the purchase of smaller vehicles and stem the tide of new models being planned for the market:

More than one in 20 cars sold [in Europe is now an SUV. Volkswagen, Ford, Opel, Fiat and Audi are all planning SUVs in the next two years to take advantage of rising demand."

However, do consumers care? Or are they just not researching issues, preferring ignorance to enlightenment? The only blip in SUV sales this decade has been caused by high gasoline prices rather than a reconsideration of the social value of the vehicle itself.

General opinion seems to attach some of the indifference to the wider consequences of widespread SUV ownership to differing generational values and expects change to come with younger, more environmentally conscious, generations:

Mostly, though, carmakers are warily eyeing Gen X and Gen Y, the car buyers who will dictate the companies' future. They're idealistic and care more about the environment than their elders.... By the time those youngsters have the cash to call the shots, you can be sure Detroit will offer the environmentally correct products they'll want to buy."

As time goes on, however, others expect consumer opinion to evolve. It is only those companies that are able to see beyond the immediate business horizon that will avoid the damage to a brand that comes with producing a product that has suddenly become socially unacceptable: German automaker BMW already runs anti-SUV

ads, likening the vehicles to dinosaurs while touting its Mini Cooper."

While they don't yet provoke the kind of violent reaction that GM's Hummers do, there is

growing concern that high gas prices and worries about future supply will eventually

make SUVs socially unacceptable, like smoking in the 1980s and wearing fur in the 1990s. Already companies like Ford are advertising the Escape Hybrid as "the first and only gas/ electric SUV," as well as other environmental initiatives the company is exploring." And in Europe, governments are keen to impose taxes that penalize excessive greenhouse gas emissions, "giving customers a disincentive for buying [SUVS]."

Questions

1. Do you own an SUV? Would you buy one if you had the opportunity? What points raised in this case seem most relevant to you in the SUV debate?
2. Are consumers apathetic? If not, explain the growth of SUVs.