

PGDM (IBM), 2013-15
Business Ethics and Corporate Governance
Subject Code: INS - 603

Trimester – VI, End-Term Examination: February 2015

Time allowed: 2 hrs 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: **(3 x5)**
Students are to answer three questions. Each question carries 5 marks.

- Q 1: Explain difference between Philanthropy and Strategic CSR activities?
- Q 2: In case any eligible companies under revised Companies Act fail to incur mandated expenditure for CSR activities, whether they will be liable for any punishment under the law?
- Q 3: What are the roles and responsibilities of a Whistle Blower?
- Q 4: Define i) values ii) Morality and iii) Ethics.
- Q 5: Describe the steps for implementing CSR activities by any company?

Section B: **(2x10)**

Students are to answer two questions. Each question carries 10 marks.

- Q 6: Describe and discuss the steps taken by for inculcating ethical culture in any organization and to ensure adherence to ethical practices.
- Q 7: Describe the activities which will be treated as CSR activities according to revised companies act. Whether donations given by the companies to State's Chief Minister's fund would constitute CSR activities or not?
- Q 8: Describe use of Porter's framework in identifying CSR initiatives?

Turn Over

Section C:

(3x 5)

Students are required to go through the case study given below and answer all questions. Each question carries equal marks.

NESTLE, a Swiss company established a factory in 1961 to process milk products in Moga a backward district of Punjab. During that period CSR was not in lexicon of corporates. The economy of Moga was driven by agriculture and most of the farmers were having small piece of land and livestock. The quality of livestock was very poor and yield of milk was also not good in terms of quality as well quantity. In addition to the inferior breed of cattle, water was also not available in adequate quantity and thus making availability of fodder very difficult for the farmers. Lack of agriculture extension services was contributing to the problems of farmers. Problem of logistics and lack of any chilling plants etc were also stumbling blocks in smooth supply of quality milk to plant of Nestle.

Against the above scenario, it was clear to the top management of NESTLE that for success of its plant at Moga depends upon empowerment and well being of farmers and their cattle. In the absence of above, plant at Moga would not be able to get continuous and adequate supply of quality milk.

To surmount these problems Nestle decided to invest heavily in training and capacity building of farmers. They created a pool of extension officers and veterinary doctors to attend to the problems of cattle. In order to purchase quality breed of cattle and construction of tube wells, officials of Nestle facilitated loans to the farmers. At different places chilling plants were installed so that farmers may supply milk at those collection centres . They also created system of transparent weighing of milk and prompt payment.

In context of milk industry, competition has intensified and many milk processing companies try to lure the suppliers and thus creating instability in supply chain. This was also a major area of concern for Nestle as being a very reputed company they cannot afford disruption of supply chain. This necessitated a very close relationship with farmers and also winning their trust. In this context, Nestle provides improved health and nutritional training, and support for educational institutions that villages have requested. Nestlé has also intervened at times of extreme events, providing direct assistance, veterinary care and fodder during disastrous floods in 1988. Under the Village Women Dairy Development Programme, Nestlé has provided dairy farming training to 51,000 women, which has helped to reshape gender expectations in the male-dominated society. Hygiene and sanitation programmes have also benefited 5,300 women, while 41,000 children have been given improved water supplies in over 100 schools. Immunization programmes and medical camps have been positively received by the local communities, along with a tuberculosis clinic. Finally, more than 7,000 girls have benefited from the Nestlé Healthy Kids Programme, which is focused on good nutrition practices and physical fitness.

Such initiatives have created a a very positive vive among community and by and large supply base of Nestle's plant is growing. During short span of time. Nestlé's supplier base has grown from 4,600 farmers providing 2,000 tonnes of milk to 100,000 farmers in 2,600 villages producing more than 300,000 tonnes.As a result of above; the economy of Moga has been transformed. Income of farmers have increased manifold. Contribution of tax to municipal bodies has increased. Nestle's plant is running successfully and earning surpluses for their shareholders.

In the light of present development when CSR has become buzzword and also in India CSR expenditures has been mandated, many initiatives taken by Nestle can be termed as CSR initiatives. One noteworthy feature is that all these CSR activities have added to the business operations of the company also. These CSR activities are aligned to Nestle's business operations and also mitigated the risk of discontinuity of milk supply which is lifeline of such business. Net result of such CSR activities in context of Nestle has benefitted all stakeholders and not only shareholders.

Q.1 On the basis of facts narrated in the case, define Strategic CSR activities and how do it differ from philanthropy. Is it possible that all CSR activities of any company would be strategic? If no , give reasons for the same.

Q.2 Explain difference between shareholders and stakeholders. In this case who are stakeholders of Nestle plant?

Q.3 Describe the benefits which accrue to a company pursuing CSR activities.