**Business Ethics and Corporate Governance**

**December 2024 Examination**

**Q1. Sophia is a senior marketing manager at a mid-sized consumer goods company. The company is about to launch a new line of eco-friendly cleaning products. However, during the final stages of product development, Sophia discovers that while the products are environmentally friendly, they are not as effective at cleaning as traditional products. The marketing team has already created a campaign that highlights the products as being both highly effective and eco-friendly. On the other hand, the CEO hints that if the launch is successful, Sophia will likely be promoted to a VP position. Knowing that revealing the product's limitations might negatively impact the campaign and the product's success, Sophia feels tempted to keep the information to herself. Now she must decide whether to push forward with the current marketing campaign, which she now knows is misleading, or to revise the campaign to reflect the truth, potentially harming the product launch and the company’s reputation. Considering the above situation, explain how does an ethical temptation differ from a dilemma? And how to resolve the same. (10 Marks)**

**Ans 1.**

**Introduction**

In business environments, ethical decisions are a fundamental part of managerial roles, especially when profitability, reputation, and personal career advancement are at stake. Sophia's situation as a senior marketing manager for an eco-friendly product highlights the tension between business objectives and personal integrity. She faces a choice between promoting the product with the current misleading marketing campaign or revising the campaign to reflect the truth, which may affect both the product launch and her career prospects. This situation brings up the concepts of ethical temptations and dilemmas. Understanding the difference between an ethical temptation and a dilemma is crucial in resolving this conflict effective

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**Q2. Green Earth Corp. is a publicly traded company that specializes in renewable energy solutions. The company has experienced rapid growth over the past few years, largely due to its commitment to sustainability and innovation in green technology. However, Green Earth is now facing significant financial challenges. A major client recently cancelled a contract, causing a sudden drop in revenue. As a result, the company is struggling to meet its quarterly earnings expectations.**

**The CEO of Green Earth, Sarah, is under pressure from the board of directors to prioritize the interests of shareholders by ensuring strong financial performance. To quickly boost the company’s stock price, Sarah considers the options like cutting costs, environmental compromise and other short-term gains. Sarah believes that prioritizing shareholder value is her primary responsibility, but she also recognizes the potential ethical concerns and long- term risks associated with each of these options. Explain the shareholder model of business ethics. How does this model prioritize the interests of shareholders? In Sarah’s situation, how might this model influence her decision-making? (10 Marks)**

**Ans 2.**

**Introduction**

The shareholder model of business ethics, often associated with the ideas of economist Milton Friedman, argues that the primary responsibility of a company’s management is to maximize shareholder value. Under this model, business decisions are guided by the principle of ensuring profitability, growth, and increasing stock prices for the benefit of shareholders. However, this approach raises ethical concerns, particularly when short-term financial gains conflict with long-term sustainability, corporate social responsibility, or the interests of other stakeholders. In the case of Green Earth

**Q3. Eco Craft, a growing company known for its eco-friendly products, prides itself on sustainability and ethical practices. However, as the company expanded, issues arose: employees in the manufacturing department faced high stress and turnover due to intense deadlines, and there were concerns about some suppliers not adhering to ethical labor practices.**

**The newly promoted COO, Mark, noticed these issues and took some action to realign the company’s culture with its core values. Mark revised production targets, introduced mental health resources, and offered flexible work schedules to reduce stress and improve work-life balance. He conducted an audit of all suppliers to ensure they complied with Eco Craft’s ethical standards, addressing any violations to maintain the company's integrity. He organized workshops to engage employees in discussions about the company’s values and how to integrate them into daily operations. Managers were required to report on how their teams were upholding the company’s values, ensuring ethical considerations in decision- making. Mark reinforced an open-door policy, encouraging employees to voice concerns and ideas directly to leadership.**

**Mark’s actions led to improved employee morale, better retention, stronger supplier relationships, and a renewed sense of purpose among employees. By addressing these issues transparently and ethically, Mark successfully reinforced Eco Craft’s commitment to its core values.**

**a. Explain the concept of ethical leadership and ‘tone at the top’ (5 Marks)**

**Ans 3a.**

**Introduction**

Ethical leadership refers to the practice of guiding a company or organization with a strong sense of ethics, responsibility, and integrity. It involves leading by example, ensuring that decisions and behaviors align with the core values of the organization. The concept of "tone at the top" highlights the importance of leadership in setting the ethical tone for the entire company. When leaders, particularly top executives, demonstrate ethical behavior, it fosters a culture of integrity throughout the organization. In the case of Eco Craft, Mark, the COO, exemplifies ethical leadership by

**b. Consider the case to explain what ethical leaders can do that contribute “to tone at the top”? (5 Marks)**

**Ans 3b.**

**Introduction**

Ethical leaders play a pivotal role in shaping the culture of an organization, particularly through their influence on the "tone at the top." They are responsible for demonstrating ethical behavior and setting expectations for integrity, transparency, and accountability throughout the organization. Ethical leadership goes beyond compliance; it involves actively fostering a culture where ethical considerations guide decision-making processes. In the case of Eco Craft, Mark’s leadership actions significantly contributed to establishing a strong ethical tone at