

MBA Second Year (2019-2020)	Assignment Solution - Corporate Governance & Ethics
Even Semester (Fourth Semester)	MBA124
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Question Number- 1.) Discuss Ethics issues in MNC's?

Answer-

The concept of ethics to business decisions encompasses all aspects of operations in a business organization. There is always the question of what the ultimate structure of an organization would be, this is vital as it would help aid the smooth running in the production of goods and services. There is always a tendency for ethical issues to arise in a global market and multinational organizations are no exceptions. On the contrary, the positive ethical practices of an organization are highly important, this would normally boost the image of such an organization as they tend to have an edge over others in a very competitive market.

In regards to the challenges of multinational organizations, does it matter if employees are motivated to contribute to an organization in a society? Are they demonstrating a sense of social responsibility? Or is it strictly businesses that would benefit the organization alone? What is the duty of the multinational organizations in the countries businesses are located or situated? How can Multinationals perform in an ethical and socially responsible way?

Laws governing certain businesses within an organization in an individual country could have its variances and inconsistencies, nevertheless when other counties are internationally concerned; the intensity of inconsistency is even more diverse.

Organizations that have made a cautious effort to be truly ethical must evaluate and measure the rules and regulations governing the countries in which businesses are carried out. These organizations must be aware of and must conform to the host country's domestic laws. Not neglecting trade organizations such as United Nations as well as international agreement between companies.

Multinational organizations have the ability to move about a massive amount of resources globally. Moving things from one location to the other would be the least of its problems. A lot of things that could limit profit could be worked around if things like environmental standards, production costs, taxes, safety at the work place, production costs. The size of a multinational organization and power could play a huge impact on the policy issues in a nation; such issues would be felt more by relationships with developing nations as supposed to developed nations.

Multinationals must think about its responsibilities in relation to a number of other things such as political engagements, regulations and laws, developmental and economic policies. The requirements in these areas consist of (but are not restricted to) providing local, raw materials, equity participation, preferential treatment to local sources. The MNC is not above the regulations, laws and jurisdiction of the host and should use suitable international disagreement resolution mechanisms when necessary. MNCS should avoid interfering with improper political activities, intergovernmental issues nor pay bribes to public servants. Getz suggests that control of the host is the basic right that must be recognized and respected by the MNC.

MNCs should also give licenses, in terms of realistic terms and conditions, for using properties and rights. In the area of environmental protection, MNCs should collaborate with the host country in producing and increasing national and international environmental security standards, as well as notifying the host of any possible environmental impact of the goods manufactured, services executed, and/or processes made use of.

We all are aware of Satyam scam which is the India's Biggest corporate scam. The scam is all about corporate governance and it is regarded as the 'Debacle of the Indian Financial System'. Ever since this scam the concern for good corporate governance has increased phenomenally. The Cadbury Committee defined Corporate Governance as "the system by which companies are directed and controlled" in its report called Financial Aspect

of Corporate Governance published in the year 1992. In general words Corporate Governance means set of rules and regulations by which an organization is governed, controlled and directed. It is conducted by the Board of Directors or the concerned committee for the benefit of the company's stakeholders.

Generally, Corporate Governance refers to practices by which organizations are controlled, directed and governed. The fundamental concern of Corporate Governance is to ensure the conditions whereby organization's directors and manager's act in the interest of the organization and its stakeholders and to ensure the means by which managers are held accountable to capital providers for the use of assets. To achieve the objectives of ensuring fair corporate governance, the Government of India has put in place a statutory framework.

Finally, the relationship between MNCs and people rotates around consumer guidance, human rights issues and employment practices. MNCs should value consumer laws of protection and preserve the safety and health of consumers through accurate advertising and appropriate labeling.

MNC should also endorse a non-discriminatory employment policy, provide sufficient training for local employees, value workers' rights to organize for collective bargaining, discuss with with workers' representatives on labour matters, and have an objective of stable employment. Human rights responsibilities require that MNCs not discriminate on the basis of religion, gender or race and that these organizations respect the cultural and social objectives, traditions and values of the countries in which they function.

Businesses should practice building an honest reputation to endeavourer that there is the constant smooth running in an organization. In a business organization, investors should always get their moneys on time. As this help the safeguard of money movements and interests accrued over time are expected on time. There should be a vast opening for fair employee opportunities in training and promotion, timely payment of salaries and a decent working environment. Information personal to customers should be kept sacred and not be used for personal gain. Industries that exhibit a huge pollution should comply with the governments' rules and regulations regarding water, air and noise pollution.

Labour Union Opposition: Wal-Mart is an organization without unions. They rather operate on an open door policy as suppose to relying on the unions, they believe they do not need third parties. The open door policy actually helps employees experiencing problems within the organisation to go beyond management. The open door policy operated by the Wal-Mart management does little or nothing to help employees in a difficult situation. It claims that the policy to a certain extent helps terminate unwanted non complaint. Wal-Mart disallows employees from discussing with union representatives.

It is corrupt for Wal-Mart to ban employees to talk to union representatives given that according to the National Labour Relations Act, employers should not be allowed to put off employees from creating a union for it is their right and should be enforced if need be. There was a complaint filed from United Food and Commercial Workers Union filed a complaint with the National Labour Relations Board against Wal-Mart. "The complaint, filed with the National Labour Relations Board, alleges that Wal-Mart violated federal labour law by "bribing" employees to report on co-workers who favoured a union." These charges were denied by Wal-Mart denied. Hence it was unethical for Wal-Mart to have bribed employees as this supports fraudulent behaviours. As an organization, Wal-Mart needs to avoid certain unlawful situations such as making employees free to talk to union representatives.

Question Number-2.) Write short notes on

(a.) Insider trading (b) Discipline and discharge (c.) reorganization, rationalization and redundancy (d.) Mergers and acquisition (e) Whistle blowing

Answer-

(a.) Insider trading

Insider trading involves trading in a public company's stock by someone who has non-public, material information about that stock for any reason. Insider trading can be either illegal or legal depending on when the insider makes the trade. It is illegal when the material information is still non-public, and this sort of insider trading comes with harsh consequences.

Material information is any information that could substantially impact an investor's decision to buy or sell the security. Non-public information is information that is not legally available to the public.

Illegal insider trading includes tipping others when you have any sort of material nonpublic information. Legal insider trading happens when directors of the company purchase or sell shares, but they disclose their transactions legally. The Securities and Exchange Commission has rules to protect investments from the effects of insider trading. It does not matter how the material nonpublic information was received or if the person is employed by the company. For example, suppose someone learns about nonpublic material information from a family member and shares it with a friend. If the friend uses this insider information to profit in the stock market, then all three of the people involved could be prosecuted.

(b.) Discipline & Discharge-

Discipline is action or inaction that is regulated to be in accordance (or to achieve accord) with a particular system of governance. Discipline is commonly applied to regulating human and animal behavior. In the academic and professional worlds a discipline is a specific branch of knowledge, learning or practice. Discipline can be a set of expectations that are required by any governing entity including the self, groups, classes, fields, industries, or societies.

Discipline is to study, learn, train, and apply a system of standards.

Discipline is not something others do to you. It is something you do for yourself. You can receive instruction or guidance from one or many sources, but the source of discipline is not external. It is internal.

Discipline is not obedience to someone else's standards to avoid punishment. It is learning and applying intentional standards to achieve meaningful objectives.

The distinction between disciplines being an external dynamic or an internal dynamic, a mandatory rule or a personal choice, is important. Understanding this at a deeper level is your gateway into a better, more discipline-driven life.

A contract creates certain obligations on one or all parties involved. The discharge of a contract happens when these obligations come to an end. There are many ways in which a contract is discharged.

When the parties to a contract fulfill the obligations arising under the contract within the time and manner prescribed, then the contract is discharged by performance.

Discharge of a contract means termination of a contract. It is the act of making a contract or agreement null. A discharged contract refers to contract that is fully performed.

Discharge may take place by:

1. Performance of the contract.
2. Accord and satisfaction.
3. Release
4. Set off.
5. Rescission of the contract.
6. Confusion, where the duty to pay and the right to receive unite in the same person.

Reorganization

Reorganization is a significant and disruptive overhaul of a troubled business intended to restore it to profitability. It may include shutting down or selling divisions, replacing management, cutting budgets, and laying off workers.

Reorganization requires a restatement of the company's assets and liabilities as well as negotiations with major creditors to set schedules for repayment.

Rationalization

The action of attempting to explain or justify behavior or an attitude with logical reasons, even if these are not appropriate.

Rationalization means organizing something into a logically coherent system. Factory organization is often **rationalized** to make it as efficient as

possible. Sometimes **rationalization means** a way someone justifies their action.

A person might account for a bad mood or general rude behavior by explaining that bad traffic affected the morning commute, for **example**. Someone who is passed over for a promotion might **rationalize** the disappointment by claiming to not have wanted so much responsibility after all.

In **economics, rationalization** is an attempt to change a pre-existing ad hoc workflow into one that is based on a set of published rules. There is a tendency in modern times to quantify experience, knowledge, and work. The **rationalization** process is the practical application of knowledge to achieve a desired end.

Redundancy

Redundancy is a system design in which a component is duplicated so if it fails there **will** be a backup. **Redundancy** has a negative connotation when the duplication is unnecessary or is simply the result of poor planning.

Redundancy is when we use two or more words together that mean the same thing, for **example**, 'adequate enough'. We also say something is **redundant** when a modifier's meaning is contained in the word it modifies, for **example**, 'merge together'.

Mergers and Acquisition

A merger is the voluntary fusion of two companies on broadly equal terms into a new legal entity.

A merger is an agreement that unites two existing companies into one new company. There are several types of mergers and also several reasons why companies complete mergers. Mergers and acquisitions are commonly done to expand a company's reach, expand into new segments, or gain market share. All of these are done to increase shareholder value. Often, during a merger, companies have a no-shop clause to prevent purchases or mergers by additional companies.

Mergers are most commonly done to gain market share, reduce costs of operations, expand to new territories, unite common products, grow revenues, and increase profits—all of which should benefit the firms' shareholders. After a merger, shares of the new company are distributed to existing shareholders of both original businesses.

This is a merger between two or more companies engaged in unrelated business activities. The firms may operate in different industries or in different geographical regions. A pure conglomerate involves two firms that have nothing in common. A mixed conglomerate, on the other hand, takes place between organizations that, while operating in unrelated business activities, are actually trying to gain product or market extensions through the merger.

Mergers and acquisitions (M&A) are transactions in which the ownership of companies, other business organizations, or their operating units are transferred or consolidated with other entities. As an aspect of strategic management, M&A can allow enterprises to grow or downsize, and change the nature of their business or competitive position.

From a legal point of view, a merger is a legal consolidation of two entities into one, whereas an acquisition occurs when one entity takes ownership of another entity's stock, equity interests or assets. From a commercial and economic point of view, both types of transactions generally result in the consolidation of assets and liabilities under one entity, and the distinction between a "merger" and an "acquisition" is less clear. A transaction legally structured as an acquisition may have the effect of placing one party's business under the indirect ownership of the other party's shareholders, while a transaction legally structured as a merger may give each party's shareholders partial ownership and control of the combined enterprise. A deal may be euphemistically called a *merger of equals* if both CEOs agree that joining together is in the best interest of both of their companies, while when the deal is unfriendly (that is, when the management of the target company opposes the deal) it may be regarded as an "acquisition".

Whistle Blowing

Whistle blowing is the term used when a worker passes on information concerning wrongdoing. In this guidance, we call that “making a

disclosure” or “blowing the whistle”. The wrongdoing will typically (although not necessarily) be something they have witnessed at work.

The ethics of **whistle blowing** is a tricky matter. **Whistle-blowing** brings two moral values, fairness and loyalty, into conflict. Doing what is fair or just (e.g., promoting an employee based on talent alone) often conflicts with showing loyalty (e.g., promoting a longstanding but unskilled employee).

PURPOSE OF WHISTLEBLOWING

The purpose of whistle blowing is to eradicate unethical behavior in the workplace. A key component to workplace ethics and behavior is integrity, or being honest and doing the right thing at all times.

Question Number-3. .) Describe product safety, labeling in reference to consumer related issues?

Answer-

Product Safety

Product safety is a term used to describe policies designed to protect people from risks associated with thousands of consumer **products** they buy and use every day.

If a **product** is not **safe**, it can cause serious and often life threatening injuries. This can include broken bones, lacerations, amputations, choking hazards, strangulation, and more. For this reason, manufacturers must take action to protect consumers, ensuring all **products** are **safe**.

Make sure you provide information with the **product** that clearly states the age range it's designed for. Certain principles apply to all **products** intended to be used by infants and children. For example, these **products** should not have any hazards which could suffocate, strangle, or choke a child, or cause them to fall.

Packaging is essential as it is used for the identification of the products in marketing. It enhances the appearance of the label for promoting the

product. This is the major importance of labeling in marketing. In addition, labeling also helps to provide the information about a product to the prospective customer. This function fulfills informative purpose of using a tag.

Marketers use labeling to their products to bring identification. This kind of labeling helps a viewer to differentiate the product from the rest in the shelves of the market. There are several used of the label for the products in the market.

Labeling is used for packaging the product. In marketing, a marketer can also use a sticker inedible products to impart knowledge of the ingredients of the food items. This helps to spread awareness among the customers about the item they are consuming and labeling also helps to mention ingredients.