

Week 8 Solutions

01) Crane and Matten suggest that businesses can best be understood as part of an industrial network rather than part of a simple exchange between two parties. What does this suggest about corporate interactions?

- a. Notable decisions about how the firm deals with any single other firm can have a significant effect on other members of the business network, including suppliers and competitors.
- b. Firms must engage with competitors in a fair way if the industry as a whole is to prosper.
- c. Firms could usefully join together to generate better prices in their purchases from suppliers.
- d. Firms within an industrial network are free to engage in any legal way they choose to beat their competitors, provided they treat their suppliers in a fair manner.
- e. none of the above

Answer = a **Feedback:** The industrial network model suggests precisely this.

02) You are the purchasing manager at ACME Ink Supplies, Inc. The sales rep from a new supplier gives you a large box of premium quality Belgian chocolates after your first test purchase, with a note thanking you for the business. You like chocolates, but are not sure you should take the gift. What would Crane and Matten suggest you might consider in making up your mind? Please select all that apply.

- a. How might your existing supplier perceive the gift?
- b. What do you think is the intention of the sales rep?
- c. Is the gift in proportion to the size of the purchase?
- d. What impact would the gift have on you?
- e. All of the above except c.

Answer= e. Feedback: Sometimes there is nothing wrong with giving or receiving a gift – all perfectly innocent. However, purchasing staff regularly identify the offering of personal inducements as one of the main ethical issues confronting them, so it is advisable to be cautious. Crane and Matten might suggest you consider the intention of the giver, the effect on the receiver, and the perception of other parties in making up your mind in a specific case.

03) With which of the following statements on ethical issues in relation to competitors would Crane and Matten agree?

- a. Ethical behaviour between competitors is not compatible with aggressive competitive behaviour between business rivals.
- b. As long as the means used are legal, there is no ethical problem with gathering intelligence on competitors.
- c. It is a dirty trick to ‘steal’ rivals’ customers by using such methods as providing false information, but providing a financial inducement is part of normal business practice and is therefore ethically unproblematic.
- d. There is a clear ethical issue in the case where a single large competitor dominates the market, as it can disadvantage consumers and competitors.

e .All of the above

Answer=d Feedback: This is a problem of a company abusing its dominant position in the market.

04) As western firms have become more familiar with traditions, such as the Chinese practice of **guanxi**, so they have increasingly tolerated gift-giving practices in such countries. What is the reason for this, according to Donaldson (1996)?

- a. Western firms have been moving increasingly towards a position of ethical relativism.
- b. It is a matter of respect for local traditions
- c. Firms recognize that the only way to ensure a reasonable level of business activity is to engage in such practices.
- d. Firms have reached the conclusion that the moral duty to shareholders outweighs the moral objections to bribery.
- e. None of the above.

Answer=b Feedback: This is the reason that Donaldson suggests. This is by no means an ethically relativist approach, but rather recognizing the different cultural expectations around gift-giving in buyer-seller relationships.

05) A code of conduct is all very well, but to be successful in practice, Emmelhainz and Adams (1999) argue that ethical sourcing through the supply chain requires the following: Please select all that apply.

- a. A workable code of conduct.
- b. Enforcement policies which establish the penalties for violation.
- c. A strategy of long-term engagement in working with suppliers.
- d. A system of monitoring supplier compliance with the code.
- e. Options a, b and d

Answer= e. Feedback: The three elements needed are a workable code, a system of monitoring and enforcement policies with penalties for violation. A strategy of long-term engagement with suppliers is one of two ways in which firms can effect ethical sourcing through the supply chain (the other is disengagement from suppliers failing to meet clear standards); a code of conduct can be used in either.

06) What are industrial ecosystems?

- a. Climate-friendly, closed-loop business model planned as a critical component of the industrial mix of the future.
- b. Communities of organizations bound by interdependence of all kinds of resources and wastes.
- c. Initiatives that push the boundaries of sustainable urban design and industrial ecosystem thinking.
- d. Interdependent firms that operate in a supply loop.
- e. All of the above.

Answer=b Feedback: This is the description that Crane and Matten offer for an industrial ecosystem. It goes beyond a single product supply and recapture loop.

07) Organisations follow dirty tricks which result into ethical issues of overly aggressive competition. Which of the following is **not** a problem of such aggressive competition?

- a. Predatory pricing
- b. Sabotage
- c. Stealing customers
- d. Negative advertising
- e. None of these

Answer=e Feedback: All these are dirty tricks followed by organisations in cut-throat competitions.

08) Which of the following are characteristics of a perfectly free economy?

- a. There are numerous buyers and sellers, none of whom has a substantial share of the market.
- b. All buyers and sellers can freely and immediately enter or leave the market.
- c. Every buyer and seller has full and perfect knowledge of what every other buyer and seller is doing, including knowledge of the prices, quantities, and quality of all goods being bought and sold.
- d. All of the above
- e. b and c

Answer: d Feedback: The Free Market is a market that is controlled by the people. This freedom is also tied in with less government control or laissez-faire. Laissez-faire is a belief that the government stays out of the economic system. This includes regulations and tariffs that the government might want to control.

09) Ethical questions regarding Industrial espionage and Intelligence gathering happens when:

- a. Questionable tactics are used
- b. Private or confidential information are sought
- c. Information are used against public interest
- d. Option a and b both happens
- e. Option a, b and c occurs

Answer: e Feedback: These are the three reasons suggested by Crane (2005)

10) Buyers are able to wield considerable power over supplier when:

- a. The suppliers' resources are relatively plentiful and are not highly important to buyer
- b. The buyers' resources are relatively scarce and highly important to supplier
- c. a and b
- d. a or b
- e. a and/or b

Answer: e Feedback: Coxetal (2000) Resource scarcity and resource utility (Crane and Matten. page no: 394)