

**1. Immoral Management**

**Definition**: Intentional disregard for ethical principles, prioritizing profit or personal gain over integrity.  
**Examples**:

1. **Volkswagen Emissions Scandal**:
   * Volkswagen intentionally programmed its diesel engines to cheat emissions tests, misleading customers and regulators.
2. **Enron**:
   * Engaged in accounting fraud to inflate profits, leading to massive financial losses for employees and investors.
3. **Pharmaceutical Price Gouging**:
   * Martin Shkreli’s company, Turing Pharmaceuticals, raised the price of a life-saving drug, Daraprim, by 5,000%, disregarding patient welfare.

**2. Moral Management**

**Definition**: Operates with integrity, prioritizing fairness, social responsibility, and respect for stakeholders.  
**Examples**:

1. **Tata Group**:
   * Known for its ethical practices, including employee welfare programs and community-driven CSR initiatives.
   * Example: During the 26/11 Mumbai attacks, Tata Hotels supported employees and families financially and emotionally.
2. **Patagonia**:
   * The outdoor apparel company integrates sustainability into its operations, including environmental conservation efforts and ethical supply chain management.
3. **Unilever**:
   * Focuses on sustainable living initiatives, like reducing carbon footprints and supporting fair trade practices through its products.

**3. Amoral Management**

**Definition**: Lacks consideration for ethics but not deliberately unethical; decisions are made without factoring in ethical implications.  
**Examples**:

1. **Uber’s Early Expansion**:
   * Focused aggressively on market growth and ignored ethical concerns like driver treatment and regulatory compliance in several cities.
2. **Facebook’s Data Practices**:
   * Initially, data sharing policies with third parties (e.g., Cambridge Analytica scandal) were implemented without adequate consideration of user privacy concerns.
3. **Amazon**:
   * Faced criticism for warehouse working conditions, though its primary focus was operational efficiency rather than intentional harm.

Q. 2 . Major Theories of Corporate Governance

**1. Agency Theory**

**Definition**:  
Agency theory focuses on the relationship between principals (owners or shareholders) and agents (managers). It highlights the potential conflicts of interest that arise when agents prioritize their goals over the principals' objectives.

**Key Concepts**:

* **Principal-Agent Problem**: Misalignment of interests between shareholders and managers.
* **Monitoring Costs**: Resources spent by principals to monitor agents’ performance.
* **Incentive Alignment**: Use of performance-based rewards to align interests.

**Example**:

* **Enron Scandal**:
  + Managers (agents) manipulated financial reports for personal gain, disregarding shareholders' (principals') interests, leading to the company's collapse.
* **Solution**:
  + Companies like Apple and Amazon use stock options to align managers’ goals with shareholder interests, ensuring they focus on long-term value creation.

**Applications**:

* Performance-based pay structures, audits, and corporate governance policies mitigate agency conflicts.

**2. Stewardship Theory**

**Definition**:  
Stewardship theory suggests that managers (stewards) act in the best interests of the organization and its stakeholders, prioritizing organizational goals over personal gains. This theory emphasizes trust, intrinsic motivation, and the alignment of goals.

**Key Concepts**:

* **Trust over Control**: Managers are intrinsically motivated and aligned with organizational objectives.
* **Focus on Long-Term Goals**: Encourages collaboration and shared success.

**Example**:

* **Family-Owned Businesses**:
  + In companies like **Tata Group** or **Mars Inc.**, leaders are often stewards who prioritize the welfare of employees, communities, and the organization over personal enrichment.
* **Nordstrom**:
  + Known for empowering employees and fostering a culture of trust, leading to exceptional customer service and long-term success.

**Applications**:

* Suitable for organizations with strong cultures of trust and alignment, such as non-profits, family businesses, and purpose-driven corporations.

**3. Stakeholder Theory**

**Definition**:  
Stakeholder theory argues that organizations should consider the interests of all stakeholders (not just shareholders) in their decision-making processes. Stakeholders include employees, customers, suppliers, communities, and shareholders.

**Key Concepts**:

* **Value Creation for All**: Balancing the interests of various stakeholders.
* **Ethical Responsibility**: Beyond profit maximization, organizations have moral obligations to society and the environment.

**Example**:

* **Unilever’s Sustainable Living Plan**:
  + Focuses on reducing environmental impact, improving employee well-being, and creating sustainable supply chains to benefit all stakeholders.
* **Starbucks**:
  + Invests in fair trade coffee sourcing, employee benefits, and community engagement to create shared value for stakeholders.

**Applications**:

* Corpora
* te Social Responsibility (CSR) initiatives, ESG (Environmental, Social, and Governance) practices, and stakeholder engagement strategies.

**Comparison Table**

| **Aspect** | **Agency Theory** | **Stewardship Theory** | **Stakeholder Theory** |
| --- | --- | --- | --- |
| **Focus** | Principal-agent relationship | Trust and alignment with goals | Balancing all stakeholders' needs |
| **Key Assumption** | Managers prioritize self-interest | Managers act in the organization’s best interest | Organizations have responsibilities to all stakeholders |
| **Conflict/Alignment** | Focuses on conflict mitigation | Assumes natural alignment | Advocates balancing competing interests |
| **Examples** | Enron (failure), Amazon (solution) | Tata Group, Nordstrom | Unilever, Starbucks |

Q. 1 . Problems of traditional Organisations

Cultural barriers- A south Indian Manager will always want a south Indian Colleague to be promoted in the Organisation ignoring the efforts put in by other co - workers

Gender Barrier - Male Employees in an organisation are not comfortable if the HOD is a female as they dont want to be dominated by a female boss

Age Related Barriers - Tenured employees will never appreciate and welcome the ideas of a manager hired from outside organisation particular if he is junior in age to them.

No provisions for paternity leaves

Female employees not being hired if they are doing any kind of family planning in such the company has to find a replacement for that particular employee to grant a maternity leave.

**Features of Business Ethics**

1. **Code of Conduct**
   * Business ethics provide a framework of moral principles that guide decision-making and behavior.
   * **Example:** A company implements a code of ethics prohibiting discrimination and ensuring workplace diversity.
2. **Voluntary in Nature**
   * Ethical practices are adopted willingly, beyond legal requirements, reflecting a business’s moral commitment.
   * **Example:** A firm using eco-friendly packaging even when it's not legally mandated.
3. **Protects Stakeholders’ Interests**
   * Ethical practices ensure the well-being of employees, customers, investors, and society.
   * **Example:** A company ensures fair wages and safe working conditions for its workers.
4. **Based on Values and Morality**
   * It emphasizes fairness, honesty, and integrity in business operations.
   * **Example:** A company refuses to bribe officials to secure contracts, even if it affects profits.
5. **Enhances Trust and Reputation**
   * Ethical practices build customer loyalty and trust, strengthening the company’s reputation.
   * **Example:** A brand that delivers high-quality, authentic products earns long-term customer loyalty.
6. **Long-term Perspective**
   * Ethical practices prioritize sustainable growth and avoid shortcuts for immediate gains.
   * **Example:** A business invests in renewable energy, aiming for long-term environmental impact and cost savings.
7. **Promotes Fair Competition**
   * Ethical behavior ensures businesses compete fairly without exploiting others or engaging in malpractice.
   * **Example:** A company avoids false advertising to win over customers.
8. **Compliance with Laws**
   * Ethical businesses adhere to both legal requirements and moral standards.
   * **Example:** A corporation pays taxes honestly and ensures transparency in financial reporting.
9. **Encourages Social Responsibility**
   * Business ethics align with corporate social responsibility (CSR) by contributing positively to society.
   * **Example:** A company organizes tree plantation drives in local communities.
10. **Dynamic and Evolving**
    * Business ethics evolve with societal changes and global trends.
    * **Example:** Companies adapt ethical policies to include sustainability as environmental awareness grows.

Managers always dominating the other employees and not considering their ideas and suggestions.

No participation in Decision making

No open door policy - Creates a problem as prior appointment needs to be taken to meet anyone

Additional points can be included

Q.2 .Modern Organisation Activites or Acitivities undertaken by learning organisation

1) Interest free Loans to employees who complete 2 yrs

2) Sabatical Leaves (Study Leave) provided to Employees with a condition they can join the organisation at a later stage after completion of Course tenure

3) Sponsoring master courses of employees (Masters- Part time or correspondence mode, CFA courses etc)

4) provision of Paternity leave

5) Provision of Birthday leave

6) Free Lunch, Free Refreshment provided by employer

7) Group Mediclaim Insurances

8) Free Transport to employees in Cab or Company driven buses