

FACULTY OF MANAGEMENT STUDIES

UNIVERSITY OF DELHI

Semester Exam (November, 2018)

Name of Examination: MBA (FT) 2<sup>nd</sup> year

Paper Title: Business Ethics and Corporate Social Responsibility

Paper No: 6301 (Compulsory Paper)

Time allowed: Three Hours

Maximum Marks: 50

*Attempt all questions*

Serial No. of Question		Marks
1.	<p><b>Case: H. B. Fuller in Honduras</b></p> <p>In 1985 , journalist started talking about a new social problem, in Honduras , that created an acute dilemma for HB Fuller company, based in St. Paul in Minnesota. The news stories described the ravaging effects of glue sniffing among the street children, of Tegucigalpa , the capital of Honduras, and Central America cities frequently. The drug of choice for these addicts was Resistol, a glue produced by Honduran as subsidiary of HB Fuller , and the victims of this debilitating habit were known , in Spanish as resistoleros. The negative publicity was sullyng the company's stellar reputation for corporate social responsibility, and company executives came under great pressure to address the problem quickly.</p> <p>Poverty in Honduras had forced many families to send their children to the streets to beg or do odd jobs. The earnings of these children were critical to the support of many families, especially those headed by single mothers. Some children lived on streets to avoid abusive homes; others were abandoned or orphaned. Many children, some as young as five and six, sought relief from their misery by sniffing glue from volatile solvents which produces temporary elation, and sense of power. These chemicals are addictive and lead to irreversible damage of brain and liver. The victims of solvent abuse generally stagger as they walk and</p>	20 marks

exhibit, tense and aggressive behaviour.

Resistol is brand name for a line of adhesive manufactured by wholly owned subsidiary of HB Fuller and marketed throughout Latin America. The solvent based adhesives favoured by glue sniffers were widely used in shoemaking and repair and is readily available on the street. H B Fuller had urged the press not to use the word resistoleros because other brands of adhesives were used as well and the problem was with use the abuse of Resistol, not the product itself. Never the less the name was commonly used in Honduras to describe the street children addiction to solvents. One of H B Fuller's most successful brand had thus become synonymous with a major social problem.

Criticism of the company's involvement with the problem not only came from activists and public health officials in Honduras but also from customers and shareholders in the United States. One shareholder asked " How can a company like HB Fuller, claim to have a social conscience and continue to sell Resistol, which is literally burning out the brains of children in Latin America". The company's mission statement placed its commitment to customers first, followed by its responsibilities to employees and the shareholders , and the statement affirms " H B Fuller will conduct business ethically and legally .....and be responsible to corporate citizen." When the company acquired its subsidiary in Honduras , the CEO at that time said:

*We were convinced that we have something to offer to Latin America, that the region did not have locally. In our own small way, we also wanted to be of help to that part of world. We believed that by producing adhesives in Latin America and by employing only local people , we would create new jobs and help elevate the standard of living. We were convinced that the way to aid world peace was to help Latin America become prosperous.*

Company executives faced the dilemma whether the expressions of H B Fuller's aspirations could be reconciled with the continued production of Resistol in Honduras. Community activist proposed the addition of oil of mustard to all solvent based adhesives. This chemical, allyl isothiocynate produces reaction that has been compared to getting an overdose of horse radish. Adding it to Resistol would effectively deter anyone attempting to inhale the fumes . However , research revealed that oil of mustard had many side effects , including severe irritation of the eyes, nose throats and lungs , and it can be fatal if inhaled



swallowed or absorbed through the skin. In addition, oil of mustard has shelf life of only six months. HB Fuller executives were convinced that addition of oil of mustard was not an acceptable solution. However in 1989 the Honduran legislature passed a law requiring oil of mustard, despite lobbying efforts of H B fuller.

Another alternate was community relations effort to alert people about the dangers of glue sniffing, and address the underlying social causes. By working with community groups and government, the company could spread responsibly and expand its resources. On the other hand, the community group in Honduras and elsewhere in the region were not well organized, and the government was unstable and unreliable. In 1982 Gillette company had faced a similar problem with its solvent based type writer correction fluid and liquid paper, which was being abused by youngsters in the United States. Gillette also rejected the possibility of adding oil of mustard, but the company's community relations efforts was facilitated by the existing networking of private and government sponsored drug education programs. In Honduras, HB Fuller did not have the same base of community and government support. A community based effort would be much more difficult in less developed country.

HB Fuller executives also considered with drawing all solvent based adhesive, from market and perhaps substituting water based products, but these alternatives were not very attractive from business point of view. Furthermore they would have no impact of social problem of glue sniffing by street children. The waste of young lives would continue unless conditions changed. But what could a modest sized company situated in St. Paul, Minnesota do to address the problem caused by deep cultural, social political and economic forces? A failure to act would seriously damage H B Fullers carefully built reputation for corporate social responsibility.

### Questions

1. Who are the stakeholders of H B Fuller Company in Minnesota and how do Resistol based adhesives in the market impact them. How would you rank the stakeholders with respect to the importance they would have for the company with respect to business decisions? Give reasons or the ranking. (7 marks)
2. What is the nature of the problem, which HB Fuller is facing in

	<p>Honduras? Elaborate if the problem is related to ethical business practices or is concerned with corporate social responsibility to which the company is committed? (7 marks)</p> <p>3. Suggest a course of action that is implementable in a developing economy like Honduras, which will make good business sense to HB Fuller, not tarnish the image of company, which has a commitment to corporate social responsibility, and also safeguard the interest of community. (6 marks )</p>
2	<p><b>Case - Echo Chamber</b></p> <p>In recent years, Google has been under major scrutiny for gender discrimination, and the Department of Labor is investigating Google for a potential gender pay gap. Also, Silicon Valley has been exposed as a community that repeatedly discriminates against women and other minorities, and research shows that the gender disparity in tech jobs is pervasive and widespread. As a result, Google has made a major push to create a more diverse and inclusive work culture.</p> <p>In August of 2017, Google fired a male software engineer, James Damore, after he internally posted a memo that relied on inaccurate gender stereotypes to criticize Google's implementation of its diversity and inclusion initiative. The memo was leaked to the press, which lead to a public outcry and exacerbated an already tense time for gender diversity in Silicon Valley.</p> <p>Around the same time as Damore's firing, a white supremacist protest that turned violent in Charlottesville, Virginia, heightened an already tense conversation about the complexities of free speech in America. The overall conflicting views on free speech are split down ideological lines: Conservatives say they aren't free to express their views because liberals will accuse them of being politically incorrect, while liberals believe that in an effort towards being more inclusive, people should avoid using language that is potentially offensive to marginalized communities.</p> <p>Damore says he was trying to point out that sometimes conservative viewpoints aren't welcome at Google because of its liberal "echo chamber." The memo also says that Google discriminates against certain employees and offers development opportunities "only for people</p>

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with a certain gender or race,” and that Google has lowered the bar by hiring diverse candidates. Damore believes that in order to have a truly diverse culture, Google needs to create a safe space for more conservative views.

Damore's memo also states that one of the central reasons is that there are fewer women than men in tech and that women are biologically different from men. Damore then references scientifically unfounded gender stereotypes to support this line of reasoning. Some of the stereotypes he uses include: women are more neurotic than men; women are less capable of handling stress; and women are better at relationships than men because men are better at “things.”

After the memo was leaked, many criticized the contents, calling Damore and his memo “anti-diversity,” with Google employees and some of the general public saying they were offended by its contents. Critics said Damore's memo is exactly the type of discrimination that keeps women out of the tech industry, and some female Google employees expressed discomfort at having to work with Damore.

The day after the memo was leaked, Google's VP of Diversity and Inclusion, Danielle Brown, issued a statement criticizing the discriminatory content of the memo, saying it did not align with Google's dedication to creating a truly diverse workforce. Three days after the public release of the memo, Damore confirmed Google had fired him.

Sundar Pichai, Google's CEO, released a statement explaining the decision to fire Damore. Pichai's statement points out that some of Damore's criticisms of Google's attempts at creating a truly diverse culture are valid, but the memo violated parts of the company's code of conduct “by advancing harmful gender stereotypes in our workplace.” Pichai also writes, “To suggest a group of our colleagues have traits that make them less biologically suited to that work is offensive and not OK.”

Those who disagree with the firing say it confirms Damore's main argument: that Google does have a liberal echo chamber; Google is intolerant to conservative views; and that its diversity efforts have actually backfired and stifled diversity. Others who disagree point to Damore's right to free speech. However, there is some legal ambiguity in this case because companies have the legal right to fire an employee

who makes statements that could create a hostile working environment for other employees in a protected class (gender, age, sexual orientation, etc.), particularly in an at-will state like California, where Google is headquartered. But, in California, an employee cannot be fired for their political views, complicating the legal aspects of this situation even further. Damore sought out legal counsel after Google fired him, and he is currently deciding whether or not to sue for wrongful termination.

Those who believe Google made the right decision by firing Damore point out that the company has made a very public commitment to creating a diverse and inclusive culture, and to have an openly discriminatory employee breaks that commitment. Keeping Damore around could also negatively impact morale among employees, create a hostile working environment, and lead to a backslide in culture. Additionally, Google has a peer review process, whereby employees review one another's performance. These reviews directly influence potential raises, bonuses, and promotions, so Damore's critics question whether he could be trusted to give fair reviews when he has openly discriminated against his female colleagues in the memo.

### Questions

1. Legally, Google's firing of Damore may or may not be problematic, but is Google's firing of Damore ethical from human rights perspective? ( 5 marks )
2. Would you have made the same decision if you were Pichai or would your decisions have been different? Explain. (5 marks)
3. Do the steps taken to create a more diverse work culture stifle some categories of employees from speaking out? What can leaders do to avert this potential outcome? (5 marks )

3. Do a cross-cultural comparison of Western, Islamic, Chinese and Indian business ethics philosophical frameworks. Analyze the aims, objectives and methods of each framework to create a productive and harmonious society. What are the pros and cons of each framework? Which framework according to you is best suited to handle India's problem of corruption.