**Business Ethics and Corporate Governance**

**NMIMS Centre for Distance and Online Education (NCDOE)**

**Internal Assignment Applicable for April 2025 Examination**

**1. You are the marketing manager at a popular beverage company, SparkFizz Co. The company is about to launch a new energy drink targeted at young adults. During product testing, you discover that the drink contains high levels of sugar and caffeine, which could lead to potential health risks if consumed in large quantities. You are offered a significant bonus if the product achieves record-breaking sales in the first quarter. Promoting the drink as “healthy and energizing” would likely boost sales but would mislead customers. However, the company's product launch depends on your marketing campaign. Highlighting the health risks transparently could lead to lower sales and damage the company’s reputation, potentially leading to layoffs. Identify whether the situation presents an ethical temptation, an ethical dilemma, or both. Justify your answer with the key differences between the two concepts.**

**Answer:**

**Introduction:**

The situation faced as the marketing manager of SparkFizz Co. involves both an ethical temptation and an ethical dilemma. Ethical temptation occurs when a person is enticed to act unethically for personal gain, such as accepting a bonus by promoting the drink as “healthy” despite knowing its risks. An ethical dilemma, on the other hand, arises when two competing ethical principles clash—honesty and transparency versus business success and employee job security. Balancing consumer well-being while ensuring company growth creates a challenging decision. This answer will differentiate between ethical temptation and ethical dilemma, explaining how both concepts apply to the scenario while emphasizing the importance of ethical marketing practices in maintaining long-term business credibility and consumer trust.

**This is partially solved sample answer**

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**2. Tech Pro Inc., a leading software development firm, is considering two options to increase profitability. The first option involves outsourcing its customer service operations to a country with lower labor costs, which will significantly reduce expenses but may lead to a slight decline in service quality. The second option requires investing in an advanced customer service training program, which will enhance service quality but will be expensive and yield slower returns.**

**After consulting the board of directors, the CEO decides to outsource customer service operations. This decision aligns with the shareholder model because it ensures higher immediate profits and better dividends for shareholders. However, the decision receives criticism from some employees and customers who feel it undermines service quality.**

**How does the decision to outsource customer service reflect the shareholder model of business ethics? What are the ethical implications in this case?**

**Answer:**

**Introduction:**

Tech Pro Inc.’s decision to outsource customer service aligns with the shareholder model of business ethics, which prioritizes maximizing shareholder value and profitability. By reducing labor costs, the company ensures higher immediate profits, leading to better returns for investors. However, this approach raises ethical concerns regarding service quality, employee job security, and customer satisfaction. While shareholders benefit financially, employees face potential layoffs, and customers may experience reduced service standards. This answer will analyze how the decision reflects the shareholder model while discussing the ethical implications, such as the trade-off between financial gain and stakeholder interests. It will also explore whether balancing profit with corporate responsibility could lead to a more sustainable and ethical business strategy.

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**3. Aman Mathur is the CEO of Super Tech, a fast-growing technology firm. Recently, Aman noticed that some of his senior managers were not adhering to the company’s policy on expense reporting, approving inflated claims without proper checks. Although the amounts were small, Aman knew this could snowball into a larger issue if left unaddressed.**

**To set the tone at the top, Aman called a meeting with all managers. During the meeting, he emphasized the importance of integrity and transparency in all business operations, including expense reporting. He shared examples of how small ethical lapses can lead to larger scandals and harm the company’s reputation. Aman also voluntarily shared his own expense reports with the team, demonstrating full compliance with the rules. Additionally, he introduced stricter audit mechanisms and announced a rewards program for employees who demonstrate ethical behavior. By addressing the issue openly and leading by example, Aman reinforced the importance of ethical conduct at all levels of the organization.**

**a. What does ‘tone at the top’ means? How did Aman’s actions demonstrate the concept of "Tone at the Top"?**

**Answer:**

**Introduction:**

‘Tone at the top’ refers to the ethical culture and values set by an organization’s leadership, influencing employees’ behavior and decision-making. It establishes expectations for integrity, transparency, and compliance. Aman Mathur demonstrated this concept by openly addressing the issue of inflated expense claims, emphasizing ethical conduct, and leading by example. By sharing his own expense reports, implementing stricter audits, and rewarding ethical behavior, he reinforced a culture of accountability, ensuring that all employees adhere to ethical business practices.

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**b. What specific steps did Aman take to promote ethical behavior in Super Tech?**

**Answer:**

**Introduction:**

Aman Mathur took proactive steps to promote ethical behavior at Super Tech by addressing expense reporting discrepancies. He reinforced integrity by openly discussing the issue with senior managers and emphasizing transparency. To lead by example, he shared his own expense reports, demonstrating compliance. Additionally, he implemented stricter audit mechanisms to prevent future misconduct and introduced a rewards program to encourage ethical behavior. These actions fostered a culture of accountability, ensuring that ethical standards were upheld across all levels of the organization.

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