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SUBJECT: BUSINESS ETHICS

SEMESTER: IV (2 Year)

UNIT- 4 CORPORATE CULTURE

(MCQ)

Que: 1 The foundation for corporate culture are laid by ________________

a. Corporate members
b. Competitors
c. Founders
d. Industry standard

Ans: (c)

Que: 2 An organization's _______________ embraces the behavior, rituals and shared meaning held by employees that distinguishes the organization from all others.

a. External environment
b. Culture
c. Dominant culture
d. Ethics

Ans: (b)

Que: 3 Components of corporate culture includes _____________

a. Vision and values

b. Practices and people
c. Narrative and place
d. All of these

Ans: (d)

Que: 4 Commitment, competence and consistency are three distinct characteristics that result in _______________

a. Culture building
b. Values
c. Organizational socialization
d. Attitudes

Ans: (a)

Que: 5 Types of corporate culture are _____________

a. Clan culture and Adhocracy culture
b. Market culture and hierarchy culture
c. Both (a) & (b)
d. None of these

Ans: (c)

Que: 6 The practices of a company for which it is accountable in relation to other parties is called _____________

a. Social responsibility
b. Code of Ethics
c. Values
d. Culture

Ans: (a)

Que: 7 Culture needs to be kept alive by _____________

a. Workers
b. Salesman
c. Top managers

d. Human resource managers

Ans: (c)

Que: 8 National culture is based on ______________

a. Language
b. The territory of the state
c. The sense of belonging of a people
d. The nation-state.

Ans: (c)

Que: 9 A low context culture is ___________

a. A culture where much goes unsaid
b. A culture in which communication is clear and direct
c. A culture where ambiguity is the norm, and directness is avoided
d. A culture in which body language and ‘reading between the lines’ are important

Ans: (b)

Que: 10 Characteristics of organizational culture include all but which one of the following?

a. Common language, terminology and norms of behavior
b. Sustainability policies
c. Preference for formal or informal communication
d. Rulebook of do’s and don’ts for staff

Ans: (b)

UNIT- V CORPORATE GOVERNANCE
(MCQ)

Que: 1 The primary stakeholders are-

a. Consumers
b. Suppliers
c. Shareholders
d. Creditors

Ans: (c)

Que: 2 The corporate governance structure of a company reflects the individual companies-

a. Cultural & economic system
b. Legal & business system
c. Social& regulatory system
d. All of these

Ans: (d)

Que: 3 Corporate governance is a form of-

a. External regulation
b. Self regulation
c. Government control
d. Charitable action

Ans: (b)

Que: 4 CSR & corporate governance represent a -------- between business and society.

a. Social climate
b. Special contract
c. Special climate
d. Social contract

Ans: (d)

Que: 5 the framework for establishing good corporate governance & accountability was originally set up by-

a. Rowntree Committe
b. Cadbury Committee
c. Nestle Committee
d. Thornton Committee

Ans: (b)

Que: 6 ------ may be defined as the enhancement of long-term shareholders while at the same time protecting the interests of other stakeholders.

a. Business ethics
b. B. CSR
c. Cultural relativism
d. Corporate governance

Ans: (d)

Que:7 Which of the following is/are feature of corporate governance?

a. Non- universality
b. Accountability
c. Ambiguity
d. None of these

Ans: (b)

Que:8 There are usually …………… key participants in corporate governance.

a. Three
b. Four
c. Five
d. Eight

Ans: (a)

Que: 9 Corporate governance is a …………… approach.

a. Top-down

b. Bottom-up
c. Hybrid
d. Scientific

Ans: (a)

Que: 10 Corporate governance is concerned with the formation of ………….. term objective

a. Very short
b. Short
c. Medium
d. Long

Ans: (d)

Topics covered – concept of corporate governance, need, scope, benefits, principles, advantages, disadvantages.

Meaning of Corporate Governance

Corporate governance is the system of rules, practices and processes by which a firm is directed and controlled. It involves balancing the interests of a company's many stakeholders, management, customers, suppliers, financiers, government and community. Since corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management from action plans and internal control to performance measurement and corporate disclosure.

According to Catherwood-

"Corporate governance means that company manages its business in manner that is accountable and responsible to the shareholders. In a wider interpretation, corporate governance includes company's accountability to shareholders and other stakeholders such as employees, suppliers, customers and local community."

Need of Corporate Governance

i. Widespread of Shareholders

In today’s scenario there has been widespread of shareholders all over the nations and majority of shareholders are being unorganized and having an indifferent attitude towards corporate affairs also they remain confined only to the law and the Articles of Association therefore it requires a practical implementation through code of conduct of corporate governance.

ii. Changing Ownership Structure

At present the pattern of corporate ownership has been changed with institutional investors and mutual funds. These investors have become the greatest challenge to corporate managements forcing the latter to abide by some established code of corporate governance in order to build up its image in society.

iii. Corporate Scams or Scandals

Corporate scams or frauds in the recent years have shaken public confidence in corporate management. Therefore the need for corporate governance is then imperative for reviving investors’ confidence in the corporate sector towards the economic development in society.

iv. Greater Expectations of society towards the Corporate Sector

In today’s scenario, the expectation of society towards corporate sector is higher in terms of reasonable price, better quality, pollution control etc. To meet these social expectations there is a need for a code of corporate governance.

v. Hostile take-overs

There should be hostile take-over of the companies so that efficiency of management can be maintained. This factor points out the need of corporate governance in the form of efficient code of conduct for the corporate management.

vi. Huge increase in top management compensation

In both developed and developing economies there has been a great increase in salary or compensation packages to the top level corporate executives and there is no justification for high payment to the top management. And this factor necessitates corporate governance to contain all the ill-practices of top management of the company.

vii. Globalization

The want and desire of more Indian companies to get listed on International stock exchanges also focused on the need for corporate governance as the international market recognized only those companies which are well-managed according to standard code of corporate governance.

<u>Scope of Corporate Governance</u>

i. Accountability

The board of directors should be accountable to the owners of the company i.e. shareholders. Corporate Governance is the interaction between various participants in shaping corporation's performance. The relationship between the owners and the managers in an organization must be healthy and there should be no conflict between the two. The owners must see that individual's actual performance is according to the standard performance and all these dimension should not be overlooked.

ii. Clarity in responsibilities

Corporate Governance distinguishes between the owners and the managers. The managers are the deciding authority. Thus, the functions or tasks of owners and managers should be clearly defined rather harmonizing.

iii. Quality and competence of Directors

Corporate Governance deals with determining the ways to take effective strategic decisions. It gives ultimate responsibility to the Board of Directors.

iv. Transparency

Transparency i.e. the right to information, time liners and integrity of the information produced. Corporate Governance ensures transparency which brings strong and balanced economic development. This also ensures that the interest of all shareholders is safeguarded. It ensures that all the shareholders fully exercise their rights and that the organization fully recognizes their rights.

v. Broad coverage or scope

Corporate Governance has a broad scope. It includes both social and institutional aspects. Corporate Governance encourages a trustworthy, moral as well as ethical environment.

vi. Adherence to the rules

Systems, practices and procedures by which the individual corporation regulates itself in order to remain competitive, sustainable, relevant and legitimate for competitiveness and sustainability.

Benefits of Corporate Governance

i. Good corporate governance ensures corporate success and economic growth.
ii. Strong corporate governance maintains investors’ confidence as a result of which company can raise capital efficiently and effectively.
iii. It lowers the capital cost.
iv. There is a positive impact on the share price.
v. It provides proper inducement to the owners as well as the managers to achieve objectives that are in interests of the shareholders and the organization.
vi. Good corporate governance also minimizes wastages, corruption, risks and mis-management.
vii. It helps in brand formation and development.
viii. It ensures organization to be managed in a manner that fits the best interests of all.

Principles of Corporate Governance

i. Transparency

Transparency is something which brings openness and enables one to understand the truth easily. In the context of corporate governance it implies an accurate, adequate and timely dis-closure of relevant information about the operating system of the enterprise to the stakeholders.

In fact transparency is the foundation of corporate governance which helps to develop a high level of public confidence in the corporate sector. For ensuring transparency in corporate administration, a company should publish relevant information about corporate affairs in leading newspaper e.g. on quarterly or half yearly or annual basis.

ii. Accounatbility

Accountability is a liability to explain the results of one's decision taken in the interest of others. In the context of corporate governance, accountability implies the responsibility of the chairman, the Board of directors and the chief-executives for the use of company's resources in the best interest of company and its stakeholders.

iii. Independence

Good corporate governance requires independence on the part of the top management of the corporation i.e. the Board of Directors must be strong, non-partisan body so that it can take all corporate decisions based on business prudence. Without the top management of the company being independent, good corporate governance is only a mere dream.

Advantages of Corporate Governance

1. Growth & Development
2. Goodwill & image creation
3. Maintenance of investor confidence
4. Increase value of shares
5. Reduces the chances of mismanagement
6. Increase of productivity
7. Increase of market capitalization of the business
8. Benefits to all stakeholders
9. Payment of regular tax to the government.

Disadvantages of Corporate Governance

1. Separation of ownership & management
2. Increase in administrative cost

NOTES:

Name of the books for references:

1. Entrepreneurship Development and Business Ethics by Himalaya Publications.
2. Entrepreneurship Development and Business Ethics by OXFORD
3. Entrepreneurship Development and Business Ethics by Kalyani Publication
4. Entrepreneurship Development and Business Ethics by ABS Publications
5. Entrepreneurship Development and Business Ethics by Tee Dee Publications