

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS MANAGEMENT
BUSINESS ETHICS AND CORPORATE GOVERNANCE – CBU 4203
FINAL EXAMINATION – APRIL 2014
TIME ALLOWED: 3 HOURS

INSTRUCTIONS TO CANDIDATES

Answer question **one** and any **three** questions from section B.

INFORMATION TO CANDIDATES

- i) Question one carries **40** marks.
- ii) Questions in section B carry **20** marks.
- iii) Questions may be answered in any order
- iv) Credit will be given for the use of appropriate examples.
- v) This paper contains **seven** questions.

SECTION A

QUESTION 1

CASE: PPP's Corporate Ethics Program:

Founded in 1883, PPG Industries is a major global supplier of coatings, glass, fibreglass, and chemicals. In 2005, this Pittsburgh-based multinational operated more than 110 manufacturing facilities and equity affiliates in over 20 countries and had global sales of \$10.2 billion.

In keeping with its reputation as an honest, fair and capable firm, PPG Industries had developed a multifaceted ethics program. At its core was the PPG Industries Blueprint, describing the company's values, statement of mission and objectives. This document identified the company's critical values as dedication to the customer; respect for the dignity, rights and contributions of employees; recognition of the

concerns and needs of society; commitment to integrity and high ethical standards; supplier relationships focusing on continuous improvement and shared responsibility; and responsibility to shareholders.

To put these values into practice through policies and programs, PPG management implemented a number of ethical safeguards and called on its employees to implement them through their personal conduct. Over a period of several years, PPG began issuing its Business Conduct Policies, which defined possible ethical issues encountered by PPG employees, as well as guidelines for handling their ethical challenges. The policies concluded by stating, "It is the policy of PPG and its subsidiaries, its agents and employees, to make every effort to operate as good, responsible and ethical corporate citizens and to comply with all applicable laws of the jurisdiction in which they are present or operating."

Although the Business Conduct Policies clearly set the ethical tone for PPG's operations, PPG management felt a need to include an explicit global focus since the firm had acquired several overseas businesses with cultured and histories that differed from PPG's. The Global Ethics Committee was created with members drawn from PPG operations in Europe, Asia and South and North America. It was charged with advising top management on ethical issues, making recommendations concerning company policies and codes of conduct, developing an ethics training program and providing a forum for the review of ethical issues. In addition, it assumed the role of the compliance committee after the passage of the U.S Federal Sentencing Guidelines in 1991.

One of the most significant actions taken by the Global Ethics Committee was drafting PPG's initial Global Code of Ethics (GCOE) in 1989. In 2004, the Committee combined PPG's compliance-based Business Conduct Policies with the GCOE, creating a single unambiguous document that reaffirmed the importance of the company's ethical standards, introduced new and prospective employees to the company's ethical tradition and the high standards to which PPG holds it people, and served as primary reference document by drawing together main elements of PPG's ethical conceptions. The global code covered PPG's relationships with customers, suppliers and competitors (issues such as gifts, inappropriate entertainment, and product safety) and responsibility to PPG people (such as health and safety and diversity issues). It also discussed protecting corporate assets (such as security of information and intellectual property) and company responsibilities to the public and public officials (ranging from corporate lobbying to environmental responsibility). Finally, the global code addressed differences in local laws and customs and reporting violations or workplace misconduct.

For example, the revised GCOE began with a letter of commitment from PPG Industries' chairman and chief executive officer: "Our reputation rests not only on our ability to be a provider of quality goods and services but also on our integrity and high ethical standards. Our continuing business success rests, in large part, on the work of every PPG employee to preserve and enhance our reputation with customers, suppliers, government officials and the public in general..." The GCOE defined possible ethical issues encountered by PPG employees, as well as guidelines for handling their ethical challenges. The code concluded by stating, "Your personal commitment to the principles and values outlined in this document is the single most important tool we have in ensuring PPG's continued reputation as a valued business partner."

To ensure that any instances of ethical misconduct were reported, PPG instituted the PPG ethics hotline in 1999, a toll-free telephone number maintained by an independent company located in another state, which assured callers it would protect their anonymity. Calls from PPG employees ranged from questions about employees relations to reports of fraud, discrimination, conflict of interest, or the release of proprietary information. On the basis of communications through the ethics hotline, PPG Industries improved communication channels within the firm, changed policies, and prosecuted violators as necessary.

Most recently PPG has ramped up the ethics and compliance training for employees, adding timely online modules in critical areas including Records Management, Foreign Corrupt Practices Act, Antitrust, Workplace Harassment and Discrimination, and an annual course and certification on Ethics. These courses have reached thousands of PPG employees worldwide. To ensure that the ethics message reaches even those without computer access, PPG sends paper copies of the relevant information to overseas employees and developed a phone -in ethics training and certification process for U.S. and Canada employees.

PPG's multifaceted corporate ethics program is one example of a business seeking to maintain an ethical culture while honouring its economic responsibilities. The firm was recognised for its exemplary ethics program as the recipient of the Pittsburgh Chapter's American Business Ethics Award for large companies in 2003. As PPG's chairman and CEO explained, "Let ... us all work together toward our mutual goals: to furnish goods and services that meet our customers' and society's needs; to provide all employees with a safe, healthy, and fulfilling work environment; to afford

our shareholders a superior return on their investment, and to contribute as a good corporate citizen to each nation and each community in which we operate.

To ensure that any instances of ethical misconduct were reported,

Source: *Business and Society* - Anne T. Lawrence, James Water .12th Edition.

Required

- a) What issues did PPG's Global Code of Ethics programme address?
- b) Comment on whether or not, it was appropriate for the code to address such issues. **[15 Marks]**
- c) What are your views on the contents of the letter of the Chairman and Chief Executive Officer of PPG that was a preamble to their Global Code of Ethics? (The contents of the letter are quoted in this case). **[10 Marks]**
- d) Identify the differences or weaknesses in PPG's students' ethics programme and say what further steps you would recommend to the company. **[15 Marks]**

SECTION B

QUESTION 2

'A company's culture and ethical climate tend to shape the *attitudes* and *actions* of all who work there'. Comment on the validity of the foregoing statement. **[20 Marks]**

QUESTION 3

Say whether you agree or disagree that ethical challenges occur in all major functional areas of business. **[20 Marks]**

QUESTION 4

Of What use is a value based ethics programme that relies on top management leadership and organisational safeguards? **[20 marks]**

QUESTION 5

Ethical issues such as bribery are evident throughout the world. Structure a programme that you can use to forestall or eliminate bribery in your company.

[20 marks]

QUESTION 6

'Although laws and ethics are closely related, they are not the same.' State why you agree or disagree with the sentiments of the foregoing statement. **[20 marks]**

QUESTION 7

Describe a corporate governance programme of a company of your choice (*imaginary or real*) **[20 marks]**

END OF EXAMINATION PAPER