

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

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**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: Hurricane Katrina – Corporate Social Responsibility in Action.**

On August 29, 2005, the UNITED states experienced its most destructive and costly natural disaster ever when Hurricane Katrina, a fierce storm with winds of more than 135 miles per hour, battered the central Gulf Coast and caused unparalleled damage to coastal regions of Louisiana, Mississippi, and Alabama. Its storm surge breached the levee system that protected New Orleans from Lake Pontchartrain and subsequently flooded significant portions of the city. Many communities along the Gulf Coast were battered, damaged and, in some cases, completely destroyed. Two months later, the official death toll stood at 1,163 and the damage was estimated to be more than \$200 billion. Over 1 million people were displaced in the aftermath of this disaster.

The outpouring of charity – from cash donation to provisions of water, food and clothing – from individuals across the country and around the world was immediate. Businesses were significantly involved, demonstrating one of the greatest charitable efforts ever seen from the corporate community. While many companies have had

long standing tradition of charitable giving, particularly during economic hard time, the philanthropy provided after Hurricane Katrina emphasised a new level of giving.

Emigrant Savings Bank, a major financial lender in the region, deposited \$1, 000 into the account of each customer in the areas hardest hit by the storm. The Chronicle of Philanthropy in Washington, D.C., estimated that if the contributions continued, it was likely that cash donations by businesses to victims of Hurricane Katrina would surpass those to victims of other recent disasters, such as September 11, 2001, terrorists attacks on New York City and Washington, D. C., and the recent Asian tsunamis.

In addition to cash, businesses offered consumer products to those in need of these items. Georgia Pacific, a home improvement retailer, sent 65 truckloads of consumer goods – toilet paper, paper towels, paper plates, cutlery – to relief organisations, more than three times the amount it had sent the previous year during hurricane season. Wal-Mart donated \$17 million in cash to relief agencies and followed up with shipping more than 100 truckloads of diapers, wipes, toothbrushes, and even beds to the Gulf Coast. Employees of pizza chain Papa John's spent a week in Biloxi, Mississippi, handling out thousands of six-inch pizza pies from a mobile trailer.

In addition to more than a million dollars in cash and equipment, General Electric provided a mobile power plant to restore capacity to a fuel transfer station in Louisiana. Amgen, a biotechnology company, donated \$2,5 million worth of medical supplies, focusing on providing assistance to dialysis and cancer patients. Countless thousands of volunteers offered their assistance, including emergency service and utility crews from every state in the nation and dozens of countries.

Business became involved in helping in other ways as well. More than 14,000 casino workers in the region lost their jobs, and many their homes, in the hurricane. Their employers, four Las Vegas- based casino-operating companies – Harrah's Entertainment , MGM Mirage, Boyd Gaming, and Pinnacle Entertainment – told them they would continue to receive pay checks. Harrah's Entertainment pledged to pay workers up to 90 days after the casino was closed from the storm's damage. Although these businesses experienced devastating property damaged from Hurricane Katrina, they committed to paying their employees despite not knowing when the casinos might be in operation.

Other businesses and their managers assumed new roles in serving their employees affected by the disaster. One day before the storm hit, Standard Company of New Orleans transferred its computer system and call centre to a backup location in Boulder, Colorado. By the time New Orleans began flooding, many of the company's employees were in Dallas – a new and unfamiliar location for Standard's employees. Jefferson Gillane, a financial analyst at Standard before the storm hit,

became the company's information coordinator. He found office supplies, procedures for filing insurance claims, local doctors, and schools in Dallas that were willing to enrol students from New Orleans. He also found charities that could supply clothing for employees who did not anticipate being away from home for more than a few days and had lost everything back in New Orleans. Gillane even launched a daily newsletter with information about New Orleans' sports teams.

During the nation's greatest disaster, businesses, along with many individuals and charitable organisations, found new ways to demonstrate a concern for others and to offer hope as thousands of people sought to rebuild their lives.

**Source:** "Hurricane Katrina," [http://en.org/wiki/Hurricane Katrina](http://en.org/wiki/Hurricane_Katrina) (pp 60-62)

**Required:**

- a) Do the demonstrations of kindness described in this story exemplify the clarity principle or the stewardship principle, or both? **[6 Marks]**
- b) Which arguments for corporate social responsibility support the actions of the companies profiled here, and which arguments against corporate social responsibility raise questions concerning these actions? **[7 Marks]**
- c) Enlightened self-interest occurs when a business recognises the interrelationship between its company's economic interests and its social obligations. **[7 Marks]**
- d) Do you think that the acts of corporate generosity described in this case represent examples of enlightened self-interest? Why or why not? **[6 Marks]**
- e) Is it businesses' duty to help those in extreme need, such as victims of hurricane Katrina, or is this job of governments and individuals? **[7 Marks]**
- f) How far should a company go to assist the community, their employees, and others affected by a natural disaster? **[7 Marks]**

## **SECTION B**

### **QUESTION 2**

Discuss the proposition that companies should behave in a socially responsible manner but are not obliged to contribute to social development. **[20 Marks]**

### **QUESTION 3**

'Mistrust, cheating, conniving, deceit and fraudulent behaviour are quick sand upon which no business system can be built'. Comment on why you agree or disagree with this statement.

**[20 Marks]**

### **QUESTION 4**

What is your opinion on the claims that values act as *filters* and *triggers* for stimulating responses to ethically charged situations?

**[20 Marks]**

### **QUESTION 5**

Argue for and against descriptive and normative approaches to ethical matters in business.

**[20 Marks]**

### **QUESTION 6**

Discuss the use of child labour in factories in developing countries from two different ethical perspectives (*you might choose among virtue, ethics, Kantian ethics or utilitarianism*)

**[20 Marks]**

### **QUESTION 7**

The commonly accepted idea that management should define and publish a set of organisational core values may create as many problems as it resolves. Discuss.

**[20 Marks]**

**END OF EXAMINATION PAPER**