

## Sample Case for End of Term In-Class 'Mock' Examination for MN330: Business, Ethics & Society.

John Cullen

### General Instructions

Only answer on the answer sheet (A sample answer sheet is appended to the end of this case).

Write your name and student number on the answer sheet in the spaces provided.

This exercise generally follows the format of the end-of-term examination and aims to assist develop students' ability to apply the content to the module to a short case. PLEASE NOTE THAT DUE TO TIME CONSTRAINTS THAT ONLY 20 QUESTIONS ARE ASKED IN THIS EXERCISE. **IN THE SUMMER EXAMINATION 30 QUESTIONS WILL BE ASKED.**

All questions will be multiple choice questions (MCQs) and students **must answer on the answer sheet provided.** Failure to do this will result in students receiving 0 (zero) if this happens in the final examination.

Each correctly answered question is worth 1 mark each. Each examination will also apply negative marking to reward students who have prepared for the examination and to discourage guessing. Each incorrect or unanswered question will be awarded a mark of -1 (minus 1).

Please read the case below in full and answer questions 1-20 on the answer sheet.

### Mini-Case

When Alan & Brian first set up AAB in 2000 they were new graduates who were keen to bring a new innovation in anti-pathology catalysts to the market. They worked closely together in a tiny rented office space (which often doubled as a lab) to get the company off the ground. They gradually built up a team of research scientists, production operatives and sales and marketing professionals who successfully grew AABs market share. Over ten years AAB developed a culture which was highly collaborative, particularly in relation to how it resolved conflicts. Both directors spent much of their working days undertaking the activities which Mintzberg (1975) said occupied the everyday life of most managers.

Alan and Brian were very keen to avoid AAB becoming a firm that was divided into 'camps' of employees as they knew that this would lead to decisions being made to satisfy the interests of individual managers, rather than helping the firm grow. As a leader, Alan always strived to demonstrate a high level of intense professional will that was offset by a deep and genuine humility. Although Brian also considered himself to be a highly idealistic person, he altered his approach depending on the type of situation he was presented with. In critical situations, where it was clear what actions needed to be taken, Brian took control of

the situation and issued clear orders. In less structured situations, where clarity about the course of action was not available due to it never being encountered before he adopted a listening approach and sought out collaborative solutions. In his personal decision-making, Alan both adopted a four-stage ethical decision-making process that began with assessing how much an individual understood that a situation involved ethics or morality, and ended with acting according to an intention to behave in relation to their moral judgement about a particular situation. Brian preferred to use Jone's (1991) model of moral intensity, which was comprised of six components.

The directors (Alan & Brian) clearly saw the firm as a responsible player in its local environment. The organization had initially been supported by local enterprise grants, and the directors believed it had a responsibility to its local community. The directors did everything in their power to source labour, services and raw materials locally. Although the directors saw the organizations internal capabilities (such as their employees and core competencies) to be the primary source of AABs competitive advantage, they also closely monitored external stakeholders such as suppliers and competitors.

However, as the company began to grow and build new premises, the directors began to receive complaints from local residents and environmental groups that they were beginning to destroy the beauty of the local natural environment. The directors read that the UN Global Compact had advocated a number of universally accepted principles for businesses to adhere to in relationship with society. These principles were addressed to 4 areas, which included the natural environment. This prompted them to research more deeply about this area, and they became interested in the various forms of Corporate Citizenship proposed by Matten & Crane (2005), the 2 main types of Corporate Governance and the concept of corporate sustainability.

Concerned with the environment, they referred to a text that was first published in the early 1980s titled *Strategic Management: A Stakeholder Approach* which offered a more comprehensive definition of what a stakeholder actually was. They resolved to proactively engage with their stakeholders and develop relationships with them without looking for any return to AAB.

In order to determine what the firm stood for, *Strategic Management: A Stakeholder Approach* recommended that firms undergo three levels of analysis. Firstly firms should ask who their stakeholders are, and how do firms and stakeholders impact on each other. Alan read a paper by Mitchell *et al.* (1997) which aimed to assist organisations and managers to determine which stakeholders should be treated as most salient (or important). This paper suggested that it was possible to distinguish three differing degrees of stakeholder salience on the basis of their possession of 1, 2 or 3 key attributes. Secondly firms should analyse the intrinsic and instrumental values of executives, organization and stakeholders to determine differences and conflicts between these. Finally firms should identify significant social issues impacting stakeholders currently, and those issues likely to impact them in 5 to

10 years time. This analysis could then be used to focus on the selection of one form of enterprise strategy from a typology of five generic strategies. Brian and Alan undertook this process and immediately discounted the option which focused on maximizing benefits to themselves and the main financial stockholders in the company. Instead they decided to focus on the strategy that would return the greatest good to the greatest number of all of their stakeholders.

The AAB directors decided that they would take a proactive stance on issues related to how they engaged with all of their stakeholders so they could genuinely focus on engaging in actions which met the expectations of society. They decided that they would do this by demonstrating to all stakeholders that they were genuinely committed to the highest levels of Corporate Social Responsibility by consistently measuring and reporting how AAB met the three key fields of Corporate Social Performance. They had come to believe in the importance of protecting and preserving the natural environment , primarily because the survival of human beings was dependent on it. Alan and Brian arranged for all employees to receive a copy of a text (*Strategy for Sustainability*) which explained how their strategy was based on simultaneously performing on four key areas.