

ADM1301B


Fall 2011

Mid-Term Examination

GRADING GUIDE

<u>For markers only</u>		
Your gross score:	100	/ 100
Mid-Term weight :		x 30%
Your mark toward the final grade:	30	

INSTRUCTIONS:

1. This examination counts for 30% of the course final grade.
2. There are 3 parts. You **must complete all questions** in Part 1 and Part 2. You have choices in Part 3.
3. Answer **directly on this questionnaire in the space provided. Remember back-to-back printing.**
4. Time Limit: 1 hour 20 minutes
5. You **MUST SIGN** the Statement of Academic Integrity below. If not, you receive a grade of ZERO.
6. It is recommended that you read through the entire questionnaire before beginning to answer.
7. Be mindful of the time and allocate it appropriately. You may leave before the allotted time if you feel you have completed this examination.
8. Write **LEGIBLY IN INK**. Poor writing may result in all or part of your quiz not being corrected.
9. Write your name and student number on **EVERY SHEET** (in case your report becomes unstapled during marking). One point will be deducted for failure to do so. Refer to  on top of the page.

MUST BE CLEARLY INDICATED. MUST BE LEGIBLE.

Student Name

Student Number



To underline the importance of **academic integrity**, all submissions in partial fulfillment of the requirements of a course at the Telfer School of Management must include the following signed statement:

Statement of Academic Integrity

This work conforms to the rules on academic integrity of the University of Ottawa.

Signature: _____ **XXX** _____ Print Name: _____ **XXX** _____

A SUBMISSION WITHOUT A SIGNED STATEMENT WILL NOT BE CORRECTED AND WILL RECEIVE AN AUTOMATIC GRADE OF ZERO.

PART 1 - For true/ false statements or for multiple choice questions, circle the answer. Otherwise, complete the sentences. Write your answers clearly on this questionnaire. 30 points in total; 3 points for each correct answer.

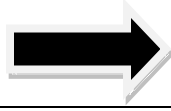
1. Which one of the following characteristics of a free enterprise system is INCORRECT?
 - a. Ownership of private property by private individuals and enterprises
 - b. The profit motive
 - c. A competitive market system
 - d. Unlimited involvement by government
 - e. None of the above

2. A COOPERATIVE is an organization composed on individuals or small businesses that have banded together to reap the benefits of belonging to a larger organization.

3. According to Mitchell, Agle, and Wood's typology, the ability of a stakeholder to produce an effect is referred to as:
 - a. Legitimacy
 - b. Effective support
 - c. Power
 - d. Trust
 - e. Strategic support
 - f. Problematic support

4. Jane Tarzan is on the board of directors for SPT Corporation. Which of the following assumptions about Jane's involvement with SPT Corporation is not correct?
 - a. Jane was elected by the shareholders to this role.
 - b. Jane is not a shareholder of SPT Corporation
 - c. Jane has ultimate responsibility for the functioning of SPT Corporation
 - d. Jane is a competitor of SPT Corporation
 - e. Jane's position on the Board is not permanent

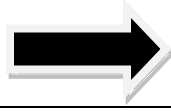
5. The decision to relocate production to a developing nation is complex. There will be certain harms to the current employees in Canada, as well as to the community in which the Canadian factory is located. There are also significant benefits. Some stakeholders, such as the stockholders, will feel these benefits more than others. The future employees in the developing nation will certainly benefit from the relocation. Other options are considered and it is determined that the benefits of relocation outweigh the negatives. The decision is made on the basis of the UTILITARIAN principle of ethical reasoning.
 - a. Universal rule
 - b. Personal virtues
 - c. Ethics of caring
 - d. Utilitarian beliefs
 - e. Economic efficiency



6. Portia Bello is the manager of a building supply company. A builder ordered a particular grade of granite, but Portia is short in her supply and substitutes another product of the same colour and appearance. She believes that what she is doing is ethical because the product is comparable and she isn't making extra money on the deal. Which system of ethical analysis is Portia applying?
- Egoism
 - Personal virtues
 - Utilitarianism
 - Ethics of caring
 - Economic efficiency
7. A statement of values explicitly states appropriate behaviour for employees.
- True _____
 - False _____
8. Tabatha Grum is considering whether to take advantage of some insider knowledge she has regarding a new product launch. She asks herself: "If I do this, will it be OK if everyone else is able to do this too?" Is she applying the social contract reasoning?
- Yes _____
 - No _____
9. Which of the following is NOT a valid reason for the development of Codes of Conduct?
- Reduce legal liabilities
 - Maintain corporate image
 - Satisfy customer expectations
 - Make it easier for management to refuse unethical requests
 - None of the above answers.
10. GDP is a widely used economic measure. What does GDP stand for?
- Gross Democratic Product
 - Global Development Propensity
 - Great Development Product
 - Gross Domestic Productivity
 - None of the above answers.
11. **Bonus question for 1 extra point**
In a *Harvard Business Review* article, Nash argued that plainly worded questions should be used by managers when considering the ethics of business decisions. He proposed 12 such questions. This model is referred to as:
- The Good Prophet Theory
 - The Wise Guy Theory
 - The Good Puppy Theory
 - The Good Person Theory
 - None of the above

Part 2 - Match a term contained in the right column with the description that is most closely associated with it in the left column. Write the letter of the most appropriate response in the center column. There is only one correct response for each description. 20 points in total; two (2) marks for each correct response.

Description	Your answer	Term
Criticism of continuous and accelerating technological and social change	c	a. Living Standards
This is determined by how well the country's major industries are performing and the levels of consumer spending	b	b. Employment
Society will likely view business in a positive manner when these increase.	a	c. Innovation
Free markets produce this efficient result.	g	d. Strategic planning
With periods of prosperity followed by recessions, the business enterprise system is vulnerable to criticisms because of the hardships imposed upon particular individuals and types of businesses at various times.	i	e. Political system
Millions of businesses make decisions independently of one another, ensuring that a wide variety of goods and services are available.	h	f. Human capital
This is the responsibility of the corporate board of directors.	d	g. Allocation of resources
An arrangement where government and business work collaboratively with multiple stakeholders to use resources to meet the needs of the members of a society.	e	h. Decentralized decision-making
This is created when the relationship between stakeholders and an organization produces increased understanding, cooperation, and coordination.	j	i. Business cycles
Measures the qualifications that individuals in a society possess.	f	j. Social capital



Part 3 – The case analysis is mandatory. Then, you select two (2) out of the four (4) remaining questions. 50 points in total for this Part.

Case: mandatory (20 points)

McLean Manufacturing Inc. (MMI) is fabricating micro chips for HD television sets under licence from a large Korean corporation. MMI is located in a small town in New-Brunswick. MMI employs 1260 persons in this community of 8764 inhabitants. MMI is the principal economic activity and the largest employer in town. The majority of families and local businesses depend on it.

MMI's financial condition just allows it to keep the plant operating. MMI is barely profitable. Its sustainability over the past decade required very stringent cost management. Intense international competition, evolving technology and newer environmentally friendly manufacturing processes are added pressures on MMI. Its survival and long-term prosperity largely depend on new investment that MMI can hardly see coming from its own revenues.

A chemical known as ASTOGO is used to clean the micro chips. The cleaning residues become highly toxic, particularly to birds, fish and other marine life. Proper disposal of the toxic residues requires that they be shipped to the only two licensed disposal sites: one in Western Canada and one in the southern United States.

The disposal of the toxic waste is costly and requires transporting the waste daily by special trucks to a railroad station 243 km away. The waste is subsequently shipped by rail to the licensed disposal sites, a minimum of 4758 km away. MMI can no longer afford to continue with this waste shipment strategy. This significant financial drain will lead MMI to bankruptcy within 2 years if it continues.

Within 1 km of MMI's facilities lies a river near a preserved wetland. This river was declared dead by biologists a decade ago because of toxic discharge from a military installation located five miles upstream from MMI. Joe Morgan, the CEO, felt that MMI would not necessarily be acting irresponsibly by discharging its toxic waste into the river since it is already "dead" and a government institution is continuing to pollute it despite having paid significant fines last year. The wetland might be affected; there is no known danger to human health. Such action, Joe Lui Morgan reasons, would save considerable money for the company and might free up financial resources for desperately needed future investment.

- a. Define "ethical dilemma". In addition, what is the dilemma in this case? **(total 5 points)**
An ethical dilemma could be considered as a situation that will often involve an apparent conflict between moral imperatives, in which to obey one would result in transgressing another. Grading: 2 points. Conveyance of the same concept with different words is acceptable. Partial marks are permissible at marker's discretion.

For Joe Morgan, the ethical dilemma he faces is that deciding to dump the ASTOGO into the river will contribute to the pollution of the river but will preserve the company as a going concern.

Deciding to continue to transport the ASTOGO to treatment sites will preserve the river, but may contribute to bankrupting the company.

Grading: 3 points for capturing reasonably well the above. Partial marks are permissible at marker's discretion.

- b. Drawing from the text book or a class presentation, identify and present an ethical reasoning process that Joe Lui Morgan might have used to deal with his circumstances. At each stage of your model, draw examples or arguments from the case to support your explanations.

Pagano's model

1. Is it legal?
2. The benefit cost test (the greatest good for the greatest number?)
3. The categorical imperative (Do you want this action to be a universal standard?)
4. The light of day test (What if your actions appeared on TV?)
5. Do unto others (Do you want the same to happen to you?)
6. The ventilation test (Get a second opinion from someone with no investment in the outcome)

OR

Jasper's model

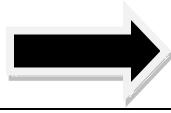
1. Consider the likely consequences of each option
2. Review any applicable laws or rules
3. Consider the norms and customs of the organisation, community or society within which the action will be taken
4. Reflect on your own convictions regarding the matter at hand

OR

Model presented in class

1. Frame the problem, then apply the following tests:
2. Justice test
3. Deontological test
4. Consequentialism test (positive and negative)
5. Arrive at ethical decision

OR **Josephson's Model** (refer to the last section below for marking instructions)



Applying one of the first three models above to the case: The test order may vary, but these are the basic analytical elements that should be reflected in the answer.

Justice / Legal test

- From the information provided in the case, such a decision would not be illegal. [Or is on the border line between legal and illegal. It can be argued that there is risk here as the military base was fined for polluting. There must be some regulation or law in place. Joe Morgan may be thinking that the benefit of paying the fine largely outweighs the negative consequences.]

Deontological Test [or rule test or categorical imperative test or do unto others test]

If Joe Morgan felt that

- His decision could be viewed as the “universal law” imposed by himself or his company in any similar situation (in other words if MMI opened a new subsidiary somewhere and faced the same dilemma and choice, the “Joe Morgan” decision would be the “precedent” that would be applied); and,
- His decision did not disrespect the dignity of all others, then his decision would pass the deontological test.

Tests of Consequentialism [or benefit cost test]

- Suppose Joe Morgan reasoned that by incinerating the ASTOGO he would not solve the pollution problem of the river since the military base would continue to dump its discharge, and by dumping the ASTOGO into the river he would preserve the livelihood of families dependent on the company.
- Dumping the ASTOGO would pass the test of utilitarianism – the decision to dump would produce the best outcome for the greatest number.
- Suppose Morgan also reasoned that his decision would contribute to the pollution problem, but since no one uses the river for anything, no one (but some wildlife) would be adversely affected by this decision.
- Dumping the ASTOGO would produce the worse outcome for the fewest number and the decision would therefore pass the test of negative consequentialism.

Social norms / acceptance / light of day test [more present in Jasper’s model]

- Would there be general acceptance in the affected community given that the alternative is loss of employment with few prospects for replacement? The military base is polluting with no apparent public outcry.
- Assess whether the student’s response discusses this element.

Personal conviction [or light of day test or similar tests]

- Is a “normal”, “good” person at ease with the decision? Assess the merits of student’s answers. The justice test is risky in its outcome here. Is the individual satisfied that all facts and options have been considered and that on balance dumping the chemical into the river is the preferred option given the alternative and its major consequences? This “personal conviction” aspect may be left out here as it is largely the subject of the next question.

Grading: 10 points are possible for capturing reasonably well the above. Look for a logical, structured argumentation that closely applies a selected model. Students who do not identify specifically “name” the model they selected for application are not penalized as long as the steps are recognizable and consistent with the model. Partial marks are permissible at marker’s discretion.

Additional Model – Josephson’s: There is an additional model for making ethical decisions that was presented. It is Josephson’s “bell, book, candle” approach. There are three tests:

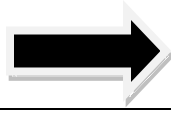
- “Listen for the bells warning you of an ethical decision (the ‘bell’);
- Check to see if there are any laws, regulations or rules which restrict your choices (the ‘book’); and,
- How will your decision look in the light – could a reasonable, fair-minded person conclude you acted improperly? (the candle).”

Grading instructions: In my view, this model is not as comprehensive as Pagano’s or Jaspers’ or the other model presented in class. Nevertheless, I will accept it as an answer if it is properly identified as “Josephson’s” model or approach and the three tests are spelled out: “bell”, “book” and “candle”. Give 4 points for proper identification of the model and its 3 tests. Partial marks are permissible at marker’s discretion.

Applying the 3 tests: 6 points, 2 points for each test. Partial marks permissible.

The “bell”: a business situation arises where there are different scenarios possible as a solution. There may be different standards to apply and they point to possible contradictory outcomes. A “bell” or an alarm is triggered. In this case, a different method of disposing of toxic waste is required. The solution is not obvious and continuing with the present disposal method will lead the company to bankruptcy.

The “book”: Are there rules or laws that apply? In this case, there is no explicit information about the law and regulation; however, the military base was fined for polluting, therefore there must be



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norms, standards that exist that prohibit toxic discharge or at least do not allow for uncontrolled discharge.

The “candle”: This is like applying a social norm test and possibly applying a universal rule. In other words, if someone else somewhere faced the same dilemma and choice, would it be reasonable to assume that the “Joe Morgan” decision would be the “precedent” that would be applied?

- c. Do you arrive at a decision similar to Joe Morgan’s? Explain why or why not. Are there ethical risks in Morgan’s decision?

Saying “yes” or “no” is not of prime concern here. I am looking for a recognition and well-thought out argumentation that the application of the justice test is problematic or at least risky here. There must be some legal provisions that would not allow MMI to pollute voluntarily the river by discharging its toxic waste. After all, the military base was fined for polluting, so discharging ASTOGO would be a form of legal transgression. What are the options and their implications? In addition, the social acceptance of Morgan leading MMI to potential bankruptcy by continuing to transport at great cost MMI’s waste is also a factor given the number of families that would be affected.

Grading: 5 points are possible for reasoned and sensitive argumentation, challenging some of Morgan’s reasoning, especially the legality of his inclination to pollute the river deliberately and possibly the social acceptance of such a decision within and beyond the immediate community.

SELECT ONLY 2 QUESTIONS among Questions 1 to 4 that follow. 15 points for each question.

1. The class presentations and the text book outline some of the most common approaches or schools of ethical analysis. Identify ANY FIVE of these approaches and describe in a few words their ethical reasoning process. (15 points)

Grading Scheme (15 points; 3 marks for each approach)

No expectation of word-for-word but the “principle” must be recognizable to the marker. I am looking for **ANY FIVE** from among the following (3 marks each – markers’ discretion).

Self-interest ethic: individuals or corporations set their own standards for judging the ethical implications of their actions. Egoist considerations are the prime factors in deciding what is ethical.

Personal virtues ethic: an individual or corporation’s behaviour is based upon being a good person or corporate citizen with traits such as courage, honesty, wisdom, temperance and generosity.

Ethic of caring: gives attention to relationships and to specific individuals or stakeholders harmed or disadvantaged and their particular circumstances.

Government requirements ethic: the acceptance of a code of laws as the governing rules of society or as a contract with society that determines what is right or appropriate behaviour.

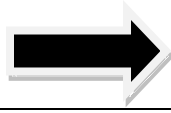
Utilitarian ethic: looks at the consequences of actions. It focuses on the distribution of benefits and harms to all stakeholders with the view to maximizing benefits (while avoiding or mitigating harm).

Deontological or Universal rules ethic: ensures that managers or corporations have the same moral obligations in morally similar circumstances.

Individual rights ethic: relies on a list of agreed-upon rights for everyone that will be upheld by everyone and that becomes the basis for deciding what is right, just, or fair.

Economic efficiency ethic: judges the moral implications of a decision by its economic consequences and provides the moral justification for a market system.

Ethic of justice: considers that moral decisions are based on the primacy of a single value: justice.



2. This is a two-part question (15 points in total)

- a) List two advantages and two disadvantages for each of the three main forms of business ownership in Canada. (6 marks)

Grading Scheme:

Note to markers – I have provided some of the more common advantages and disadvantages below, but other responses are possible and equally acceptable. Marker's discretion.

Sole proprietorship

Advantages (1 mark given for up to a maximum of 2 advantages. Partial mark permissible)

- Easy to set up
- Single taxation
- Minimal reporting requirements
- Easy decision-making
- Owner keeps all the profits

Disadvantages (1mark given for up to a maximum of 2 disadvantages. Partial mark permissible)

- Unlimited liability
- Restricted financing opportunities
- Skills limited to the owner
- Death of owner = death of the business

Partnership

Advantages (1 mark given for up to a maximum of 2 advantages. Partial mark permissible)

- Easy to set up
- Shared responsibility and broader management skills
- More financing possible than a proprietorship
- Minimal reporting requirements

Disadvantages (1mark given for up to a maximum of 2 disadvantages. Partial mark permissible)

- Shared profits
- Unlimited liability (except for a limited partner)
- Shared decision-making
- Jointly and severally liable for all debts of the partnership
- Death of a partner = death of the partnership

Corporation

Advantages (1 mark given for up to a maximum of 2 advantages. Partial mark permissible)

- Limited liability
- Easier to raise money
- Perpetual life
- Broader management skills
- Legal entity; protection of the law

Disadvantages (1mark given for up to a maximum of 2 disadvantages. Partial mark permissible)

- Considerable reporting requirements
- More complicated and more expensive to set up
- Complex taxation regime
- Stricter regulations (examples : financial reporting, auditing)

b) Under which situation or condition might each of these three forms be preferred? Explain with examples. (9 marks)

Situations in which certain forms of business ownership might be preferred (other responses are acceptable provided they are logical and appropriately explained). For each of the forms of business ownership below, I am looking for ONE situation – 3 marks for one situation under each form of ownership up to a maximum of 9 marks for question b))

Sole proprietorship

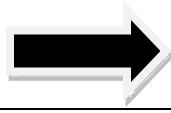
- When the nature of the work revolves around one sole expert (such as a very specialized management consultant)
- When the nature of the work is simple and does not involve inordinate liability
- Desire to be your own “boss” and you have skills and ability to face the competition, if any, with success.

Partnership

- When the nature of the work requires input from more than one technical expert and there are few “experts” in the field
- When more resources are required beyond the sole proprietorship but not to the extent of a corporation

Corporation

- When the value-added process necessitates a variety of inputs and technology beyond the capacity of individuals and partners
- When the protection of “corporate law” may be advantageous
- When the enterprise involves a high potential risk of failure
- When the work requires operating in more than one country
- When the nature of the work requires considerable capital



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3. Explain the Parliamentary process that a proposed legislation has to go through at the federal level in Canada in order to become law. [Explain each stage and what is involved.] (15 points)

Grading Scheme:

Note to markers – While I do not expect word for word responses, for full marks the major components of each stage must be present in the student’s answer. Part marks are permitted at the discretion of the marker.

Stage 1: The draft bill is introduced in either the House of Commons or the Senate, following Cabinet approval and House Leader’s signature. (2 marks)

Stage 2: The bill receives first reading in either the House of Commons or the Senate. This involves reading the title of the bill. (2 marks)

Stage 3: The bill receives second reading in either the House of Commons or the Senate. In this stage the principle and object of the bill are debated and either accepted, rejected, or amended. During this stage, the bill can be ‘hoisted’ for six months, amended, or referred to a committee. If referred to a committee the bill receives a clause by clause study. (3 marks)

Stage 4: The report stage and voting on any further amendments proposed to either the House of Commons or the Senate. (2 marks)

Stage 5: Third reading in which the bill is debated and voted on as amended. (2 marks)

Stage 6: The introduction of the bill into the other House of Parliament and repetition of the above process (2 marks).

Stage 7: Royal Assent by the Governor General or a Governor General Deputy at which point the bill becomes law (2 marks).

4. Describe “pluralism”. What is the relationship between pluralism and stakeholders and what does this mean for managers? (15 points in total)

Grading Scheme

No expectation of word-for-word. The definition of pluralism must be reasonable precise and it is important that the response clearly indicate the direct association of pluralism with stakeholders and that all stakeholders are not created equally. What this means for managers is largely an opinion question, however I would expect students to stress the importance of understanding stakeholders and each of the 3 segments presented in class that form the basis for the course: business, government and civil society. Part marks are at the discretion of the marker.

Pluralism describes a condition in which there is diffusion of power among society’s many groups and organizations – a wide decentralization and diversity of power concentration **(5 marks)**.

Society’s many groups and organizations are in fact stakeholders – those who can affect, or are affected by the actions of business. In a pluralistic society power is diffused among stakeholders but not equally to each stakeholder: some stakeholders are more important than others, but all stakeholders need to be managed **(5 marks)**.

For managers, this means there is a need to understand stakeholders (who are key stakeholders, what are their “stakes”, and how should they be managed). There is also a need to understand each segment of the Canadian domestic macroenvironment since power must be shared among stakeholders in each segment **(5 marks)**.