



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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**MAIN EXAMINATION**

**MAY – JULY 2016 TRIMESTER**

**FACULTY OF COMMERCE**

**MBA REGULAR PROGRAMME**

**CMM 511: MANAGERIAL ETHICS**

**Date: JULY 2015**

**Duration: 3 Hours**

**INSTRUCTIONS: Answer ANY FOUR Questions**

- Q1. Comment critically on the role of managerial ethics in finance, Marketing and Human Resource Management. **(20 marks)**
- Q2. Read the case below and answer the question at the end of it.

### **Great Lakes Brewing Company**

Great Lakes Brewing Company of Cleveland Ohio, a craft brewery making all natural beer, is known for its use of TBL to drive policies in all areas of its activity. It emphasizes commitment to the environment and to the community. It seeks to recycle and reuse the resources used in production, and subscribes to the motto "Take, Make, Remake". As it has been able to save money on its operating costs, the company also helps community by donating to nonprofit organizations.

Required: Demonstrate how Great Lakes Company measures its TBL **(20 marks)**

- Q3. a) Briefly discuss employees' responsibility to third parties. **(10 marks)**
- b) Critically assess conditions under which insider trading would be fraudulent. **(10 marks)**

Q4. Read the passage below and answer the questions that follow.

### **The Enron Scandal**

Established in 1985, the Enron Corporation grew into a huge power, paper, and communications provider, and was hailed by *Fortune* magazine as America's most innovative company. However, in 2001, Enron was found to be loaded with debt and had no immediate hope of paying its creditors. This debt was hidden from the public through accounting fraud and other deceptive practices. Thousands of Enron employees had their retirement savings in Enron stock, which plummeted after the scandal was revealed. Ethical misconduct was directly responsible for the sudden downfall of the Enron.

#### **Required**

- a. In your view, what single most critical ethical issue led to the collapse of Enron? Explain your choice **(6 marks)**
- b. Elaborate how you would bring your knowledge of ethical policies to mitigate the Enron-type scandals **(14 marks)**

Q5. Read the passage below and attempt the questions that follow.

### **The Miraculous Straterra**

Strattera, Eli Lilly's prescription medication controls attention deficit disorder and hyperactivity (ADHD) in children. In the recent past this Pharmaceutical Company (Straterra) ran ads in such magazines as the *Family Circle* under the simple title "Welcome to the Ordinary". The ad pictures two boys holding up a model airplane that they have finished building, a challenging task for a child with ADHD. The ad reads: "4.30 p.m. Tuesday. He started something you never thought he'd finish. 5.20 p.m. Thursday. He's proved you wrong." The ad suggests that if a child with ADHD is not "ordinary," it is the parents who are "wrong" because all it would take is Straterra to solve their problem. The Same issue of *Family Circle* also contained ads from two major competitors of Straterra.

In a quick rejoinder the President's Council of Bioethics issued a report "Beyond Therapy: Biotechnology and the Pursuit of Perfection," in which they wrote: "In a major and worrisome change from previous practice, drug companies have taken to marketing drugs directly to parents, with spot ads depicting miraculous transformations of anxious, lonely, or troublesome children into very confident, honor-roll students."

#### **Required**

- a) In your view is this ad worrisome? Why? / Why not? **(10 marks)**
- b) Elaborate four ethical values in marketing that might be brought to bear on “worrisome” ads **(10 marks)**
- Q6. Establish the link between ethical deontology, utilitarianism and business policy **(20 marks)**

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