

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**CHUKA & EMBU**

**FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE  
OF BACHELOR OF COMMERCE, BACHELOR OF ENTREPRENEURSHIP  
AND SMALL BUSINESS MANAGEMENT**

**BCOM 403 / BCOM 405 / BENS 404: BUSINESS ETHICS**

**STREAMS: BCOM, BENS (Y4S2)**

**TIME: 2 HOURS**

**DAY/DATE: WEDNESDAY 11/4/2018**

**2.30 P.M. – 4.30 P.M.**

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**INSTRUCTIONS:**

**SECTION A – QUESTION ONE (COMPULSORY)**

**SECTION B – ANSWER ANY OTHER TWO QUESTIONS**

**SECTION A**

**QUESTION ONE (COMPULSORY) – 30 MARKS**

**A STICKY SITUATION**

Kent Graham is still on the telephone, receiving the good news that he has just secured his largest order as an account manager for Dura Stick Label products. His joy is tinged with uncertainty, however.

Dura Stick is a leader in Label converting for the durable products marketplace. Label converting consists of converting log rolls of various substrates (paper, polyester, vinyl) into diecut, printed labels. The company specializes in high performance labels for the automotive, lawn and garden, and appliance industries. Dura stick has a well-deserved reputation for quality, technical knowledge, and service that enables the company to command a premium price for its products in a very competitive market.

Kent Graham has been with Dura-Stick for two years. Because he came to the company with 10 years in the label industry, he was able to negotiate a very good salary and compensation plan, but his accomplishments since joining Dura-Stick have been mediocre at best.

Kent fears that his time with Dura-Stick might be limited unless he starts closing some big accounts. Furthermore, with a wife and two children to support, losing his job would be disastrous. Kent was on a mission to land a big account.

Kent called on Jack Olson at Spray-On Inc., a manufacturer of industrial spraying systems for the automotive painting industry. Dura-Stick has been providing Spray-On with various warning and instructional labels for about 20 years. Jack has been very pleased with Dura-Stick's performance, especially the quality of its manufacturing department under the direction of Tim Davis. After giving Kent another excellent vendor evaluation report, Jack began to describe a new project at Spray-On, a paint sprayer for household consumer use that needs a seven-color label that Dura-Stick currently supplies to Spray-On.

Jack explained that this was the biggest project that Spray-On has undertaken in recent years and that it would generate a very large order for some label company. Jack then asked Kent, "Does Dura-Stick produce these multicolor, consumer type labels?" Kent thought for a moment. He knew that a 'yes' would give him a better shot at the business, and Dura-Stick might be able to handle the job, even though the company's experience to date was only with two-color labels, almost without thinking, he replied, "Sure we can handle it, Jack, that's right up our alley!" That's great news, "Jack shot back, now take this sample and give me your proposal by Monday. Oh, and by the way, I hope your proposal looks good, because I would really feel confident if this important project was in the hands of your production people!"

Kent gave the sample to Marty Klein, who is responsible for coordinating the costs and price quotes for new opportunities. Marty took one look at the sample and said emphatically, "We'll have to farm this one out." Kent's heart sank down to his shoes. He knew that Jack would want to work with Dura-Stick only if the labels were produced at Dura-Stick's facility. Yet, he still allowed Marty to put the numbers together for the proposal. Kent presented the proposal to Jack's competition. "That's pretty hard to swallow".

Kent knew that the price will be high because it included the cost of another company producing the labels plus Dura-Stick's usual profit margin, but he counted cheerily, "You know the quality that we provide and how important this project is to your company. Isn't it worthy of the extra 20 percent for the peace of mind that you will have?"

"Let me think about it," Jack replied.

The next day, Kent got a phone call from Jack.

"Congratulations, Kent, Dura-Stick has been awarded the business. It was a tough sell to my people, but I convinced them that the extra money would be well spent because of the excellent production department that you have. If it wasn't for the fact that Tim Davis will personally oversee production, you guys probably would not have gotten this business".

Kent had to bite his tongue. He knew that Tim would not be involved because the labels would be produced in Kansas city by Labeltic, which would then send the finished labels to Dura-Stick for shipment to Spray-On's facility. Kent also knew that Jack would be completely satisfied with the quality of the labels. Besides, this order was crucial to his job security, not to mention the well-being of his company.

While Jack continued to explain Spray-On's decision, Kent pondered how he should close this conversation.

**Required:**

- (a) What should Graham say to Spray-On now? [5 marks]
- (b) If you were Graham's superior, what would you want him to do? [5 marks]
- (c) Is there any reason why the perspectives of Graham should and his boss should differ? [5 marks]
- (d) What persons and groups are affected by Graham's decision? What are the specific benefits and harms to each? [5 marks]
- (e) Should Graham be more concerned with his job and his family, his company, or his customers? [5 marks]
- (f) If you held Graham's job, is there anything that you would have done differently? [5 marks]

**SECTION B – ANSWER ANY OTHER TWO QUESTIONS**

**QUESTION TWO**

- (a) Describe Kohlberg's theory of cognitive Moral Development and critically evaluate its contribution to our understanding of ethical decision making in organizations. What are the main implications of the theory for business leaders? [10 marks]
- (b) Explain the concept of the semiotic square analysis for the concept of 'Good' in relation to Kenyan businesses. [10 marks]

**QUESTION THREE**

- (a) Discuss any two business ethics theories, what are the implications of the theories to Kenyan business leaders. [10 marks]
- (b) Examine basic ethical issues and challenges of managing employees in the different cultural and national contexts necessitated by globalization. [10 marks]

**QUESTION FOUR**

- (a) Explain the due care theory used to determine whether a product is defective?[10 marks]
  - (b) Discuss this personal ethical financial statement. If you're like most people, you can probably spend money without thinking about it, but you can't save money without thinking about it. That's the problem. [10 marks]
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