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BERJAYA SCHOOL OF COMMUNICATION & MEDIA ARTS
Faculty of Liberal Arts

FINAL EXAMINATION (ONLINE)

Course Code & Name	:	**COM3124 Corporate Social Responsibility (CSR)**
Trimester & Year	:	January – April 2021
Lecturer/Examiner	:	Renee Foong
Duration	:	3 Hours

INSTRUCTIONS TO CANDIDATES

1. **This question paper consists of 3 parts:**

PART A (30 marks)	**:**	**FOUR (4) short answer questions. Answers are to be written in the Answer Booklet provided.**
PART B (20 marks)	**:**	**ONE (1) essay question. Answers are to be written in the Answer Booklet provided.**
PART C (50 marks)	**:**	**THREE (3) case study questions. Answers are to be written in the Answer Booklet provided.**

- This is an online exam and it should be completed independently, without discussion with other students or individuals.
- Always use your examples, and show how they would apply. Just listing an example is not enough.
- Always support or defend your claim/position adequately.

WARNING: The University Examination Board (UEB) of BERJAYA University College regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College.

Total Number of pages = 8 (Including the cover page)

<u>SECTION A (30 MARKS)</u>

SHORT ANSWER QUESTIONS

Answer **ALL** questions.

1. Explain Corporate Social Responsibility (CSR).

(5 marks)

2. Explain who are the stakeholders.

(5 marks)

3. Identify **FIVE (5)** stakeholders of a company and elaborate the expectations of the respective stakeholder on the company. Provide your answers in a table format.

(10 marks)

4. CSR is perceived as an investment in intangible assets of the business, which can be evaluated using indicators. Identify the **FIVE (5)** intangible assets with an elaboration of its measurable manifestation respectively.

(10 marks)

SECTION B (20 MARKS)

ESSAY QUESTION

Answer the question.

1. You are the Company Secretary of a large Malaysian multinational company operating in the energy sector. Your company has operations in 25 different countries, some of which are developing economies, and it has raised debt finance, as well as equity finance, in 15 of these countries.

You are aware that there have been protests from environmental lobby groups in several areas regarding oil pipelines. There have also been demonstrations about the impact of operations on local communities.

Your company has an internal audit committee, an audit committee, and a reasonably well-developed system of internal control loosely structured around the Turnbull Report's recommendations. However, the board has decided that perhaps it should form a new committee, a 'risk committee', which will deal with risk management and internal control specifically.

Accordingly, the board has asked you to prepare a briefing paper which summarises the **FIVE (5)** main risks facing the business at present, and the relative importance of these risks to the business, to highlight where the primary exposures are likely to be.

(20 marks)

SECTION C (50 MARKS)

CASE STUDY

Answer **ALL** questions.

The Volkswagen emissions scandal: A case study in corporate misbehaviour

The news that Volkswagen rigged its diesel engines to falsify emissions tests is shocking. Business leaders may not always get it right, but how VW got it so wrong is truly baffling. This corporate misbehaviour is unacceptable from any of the perspectives we teach in our classrooms – from that of finance and the markets, or business sustainability and corporate social responsibility, or business leadership.

There is a myth in finance that a company's goal is to maximize shareholder value. The myth is believing that investors care only about the stock price, and not the impact on society. Perhaps this myth was behind VW's decision to install "defeat software" to cheat on emissions tests. Shareholders' judgment of this move was evident from the immediate market reaction, which saw the share price drop by a third, wiping billions from VW's value. Clearly, unethical behaviour destroys share value.

Recognising this fallacy, business schools have adopted a new paradigm. We teach that managers need to consider the "triple bottom line": people, planet and profit. Corporations must balance shareholders' desire for rising earnings with the dual objectives of looking after other stakeholders (such as employees) and respecting the environment. It may be costly to resist sending production to countries with worse working conditions, or to implement environmentally friendly solutions. But these are the right choices for both companies and shareholders. Research shows that cutting R&D to meet short-term earnings targets or to maintain a desired credit rating is associated with lower shareholder value later on.

Short-term rewards skew behaviour. The financial sector has seen a string of scandals: mis-selling of mortgages, fixing market benchmarks, aiding tax evasion and money laundering, illegal insider trading, to name a few. A minority of unscrupulous people is to blame. Most people are decent, hard-working, and well-intentioned – society needs them to speak up when they witness unethical behaviour. When one voice speaks up, others will follow.

Finance and sustainability are not incompatible, they are aligned. Business leaders need to focus not only on shareholders but also on society and the planet. This alignment will ensure that our economy is balanced, healthy, and sustainable for the long term. VW's efforts were clearly focused on short-term profits; they were not focused on the long-term health of the company's brand, its customers, or the environment.

Financial sustainability is about resilience. Sustainable businesses can survive shocks, whether from financial crises or natural disasters. This resilience comes from strong relationships with their employees, their communities, and the environment. Sustainable businesses avoid working against the very systems that ensure their long-term success. Volkswagen's actions represent the antithesis of sustainability. It is difficult to imagine how VW's managers could think these actions would help their organization to thrive in the long run. Consciously deceiving regulators and consumers may have served their immediate needs, but it compromised the needs of future generations.

Sustainability and corporate social responsibility are not easy. Every manager faces trade-offs between the short term and the long term, between quarterly profits and the longer-term environmental impact, between their annual compensation and the survival of the business. We try to teach our students to understand the complexity of managerial decision making. Business leaders need to confront these trade-offs, not ignore them.

While it is still too early to know where to lay the blame in the VW scandal, leadership failures of this type are often due to a failure in character, not a lack of competencies or commitment. The three pillars that support good leadership are character, competencies and commitment. If any of these is lacking, the shortfall will undermine the other pillars and, ultimately, lead to performance problems for leaders, organizations and their stakeholders.

In cases similar to Volkswagen, the leaders were highly educated individuals surrounded by bright colleagues. There was no shortage of subject-matter expertise. These leaders typically had high drive and a strong desire to succeed. They tackled problems with a sense of urgency. They approached challenges with energy and passion. It's easy to believe that such leaders will expand their organizations and outpace industry rivals.

But drive is only one of many dimension of a good leader. Research at Ivey has revealed 11 character dimensions of leadership: drive, collaboration, humanity, humility, integrity, courage, accountability, justice, temperance, transcendence and judgment. These traits must work together; too much of one particular quality can become a liability. Too much drive in the absence of temperance or justice may spur recklessness. Temperance allows leaders to be calm when others around them panic, to think things through and to act in an organization's best long-term interests. Justice recognizes the importance of contributing to the societies within which businesses operate.

TIMA BANSAL, MICHAEL KING AND GERARD SEIJTS

1. Discuss in details the **FOUR (4)** main issues that Volkswagen has been involved in.
(20 marks)

2. Explain why the case can be appropriate as a CSR-related topic. Give **FOUR (4)** sufficient details to support your answer.
(20 marks)

3. If you were a decision maker at Volkswagen, what will you do to remedy the situation? Give **FIVE (5)** recommendations to support your answer.
(10 marks)

END OF EXAM PAPER