



Mains Practice Question

Case Studies

As the Managing Director of ABC Pharma, renowned for its commitment to ethical business practices and groundbreaking solutions, You find yourself grappling with a significant financial crisis that threatens the very existence of ABC company. Despite its long-standing reputation for integrity and innovation, ABC Pharma is on the verge of collapsing.

Amidst this dire situation, an unexpected opportunity arises. XYZ Company has approached ABC with a lucrative business proposal. The XYZ company has a history of involvement in illicit activities such as the unlawful production of narcotic drugs and engaging in black market operations,

The acceptance of XYZ's offer has the potential to inject much-needed financial stability into ABC Pharma and pave the way for expansive growth opportunities in the market. Rejecting the offer may lead to the demise of ABC Pharma.

As the Managing Director, you're caught between saving your company and upholding ethical values.

- (a) What are the ethical dilemmas being faced by you as Managing Director?
- (b) Identify the options available to you as MD of ABC company in attending to this situation.

09 Feb, 2024 GS Paper 4 Theoretical Questions

- Write a brief introduction about the contradiction between ethical values and financial stability.
- Discuss the ethical dilemmas which come in front of the Managing Director (MD).
- Mention the different choices available to the MD.
- Write a fair conclusion.

Introduction

The tension between ensuring financial viability and upholding ethical standards poses a significant obstacle for Managing Directors. This challenge is particularly evident for the Managing Director of ABC Pharma, a distinguished company known for its steadfast dedication to ethical business conduct and groundbreaking innovations.

Body

- (a) As the Managing Director of ABC Pharma, the ethical dilemmas I face in this scenario are multifaceted:
 - **Financial Stability v/s Ethical Integrity:** Accepting XYZ Company's offer could bring ABC Pharma financial benefits and market opportunities, but it clashes with ABC's commitment to ethical practices because XYZ engages in illegal activities like drug production and black marketing. This creates a tough choice between financial gains and ethical integrity.
 - **Personal vs. Collective Responsibility:** As the Managing Director, the decision ultimately rests on your shoulders, but involving the board and key stakeholders ensures transparency and shared responsibility for the difficult choice.

- **Long-Term Risk v/s Benefits:** Accepting XYZ's offer for quick money could harm ABC in the long run because of its illegal activities. ABC needs to think about the risks and benefits for both now and later to make the right ethical choice.

(b) As the Managing Director of ABC Pharma, there are several options available in handling the situation with XYZ Company:

- **Accept the offer from XYZ:** This option involves prioritizing short-term financial gains and market expansion opportunities, potentially bolstering ABC's financial stability. However, it comes at the cost of tarnishing ABC's reputation and compromising its ethical values.
- **Reject the offer from XYZ:** This option prioritizes maintaining ABC's reputation and upholding its commitment to ethical business practices. By refusing to engage with XYZ, ABC demonstrates its integrity and commitment to social responsibility, albeit potentially missing out on financial benefits.
- **Negotiate with XYZ:** Negotiations with XYZ to establish clear terms and conditions that align with ethical standards could be explored. This option allows ABC to explore potential business opportunities while mitigating the risks associated with partnering with a company engaged in illicit activities.
- **Conduct due diligence:** Before making a decision, ABC could conduct thorough due diligence on XYZ to assess the extent of its involvement in illegal activities and evaluate the potential risks and benefits of partnering with them. This option provides valuable information to inform the decision-making process.
- **Seek alternative partnerships:** Alternative partnerships with companies that share similar values and ethical standards could be explored. This option allows ABC to pursue growth opportunities while maintaining its integrity and reputation.

Conclusion

As Managing Director, challenges faced need a balance between ABC Pharma's financial interests and its ethical principles, along with its obligations to stakeholders and society. Each option presents its own set of risks and benefits, and the decision ultimately depends on the values, priorities, and long-term goals of ABC Pharma as well as its commitment to ethical business practices.

PDF Reference URL: <https://www.drishtias.com/mains-practice-question/question-8155/pnt>