

An Example of Ethical Analysis

Consider the following case example of an *ethical dilemma* [Yuthas and Dillard(1999)]:

Granger Stokes, managing partner of the venture capital firm of Halston and Stokes, was dissatisfied with the top management of PrimeDrive, a manufacturer of computer disk drives. Halston and Stokes had invested \$20 million in PrimeDrive, and the return on their investment had been below par for several years. In a tense meeting of the board of directors of PrimeDrive, Stokes exercised his firm's rights as a major equity investor in PrimeDrive and fired PrimeDrive's chief executive officer (CEO). He then quickly moved to have the board of directors of PrimeDrive appoint himself as the new CEO.

Stokes prided himself on his hard-driving management style. At the first management meeting, he asked two of the managers to stand and fired them on the spot, just to show everyone who was in control of the company. At the budget review meeting that followed, he ripped up the departmental budgets that had been submitted for his review and yelled at the managers for their "wimpy, do nothing targets." He then ordered everyone to submit new budgets calling for at least a 40% increase in sales volume and announced that he would not accept excuses for results that fell below budget.

Keri Kalani, an accountant working for the production manager at PrimeDrive, discovered toward the end of the year that her boss had not been scrapping defective disk drives that had been returned by customers. Instead, he had been shipping them in new cartons to customers in order to avoid booking losses. Quality control had deteriorated during the year as a result of the drive for increased volume and returns of defective TRX drives were running as high as 15% of the new drives shipped. When she confronted her boss with her discovery, he told her to mind her own business. And then, in the way of a justification for his actions, he said, "All of us managers are finding ways to hit Stoke's targets".

Case Analysis

1. Identify the primary "ethical dilemma (or question)" in the case. (5 points)
2. Discuss the role that information technology played in creating the special circumstances of the case. (5 points)
3. List the stakeholders in the case (and try to identify an important "right" of each stakeholder). (10 points)
4. List and describe alternative courses of action that may be taken and determine the likely consequences of each proposed action for each stakeholder. (20 points)
5. From a teleological perspective which action is morally right? Explain. (15 points)
6. From a deontological perspective which action is morally right? Explain. (15 points)
7. Describe **your** normative recommendation in this case. What is the basis of your recommendation (teleological or deontological)? (30 points)

References

Yuthas, K. and Dillard, J. (1999). Teaching ethical decision making: Adding a structuration dimension, *Teaching Business Ethics* 3(4), 339-361.

Rough Example of a Case Report
(This gives you an idea – see course website for requirements)
<http://faculty.unlv.edu/thatcher/is485/assignments.htm>

Name: Matt Thatcher
Topic: IT Quality Assurance
Case: PrimeDrive
Date: January 23, 2007

Part 1: Ethical Dilemma

The primary issue is whether Keri should expose the production manager's practice of shipping faulty drives. The case asks the question, "What should Keri do?"

Part 2: Role of IT

[Not applicable. However, this will be applicable in each of your Case Reports. You should discuss the role that IT played in creating the special circumstances of the case in 2-3 sentences.]

Part 3: Stakeholders

1. Stokes (CEO): He has the right to expect employees to comply with organizational policies.
2. Production managers (and other employees of PrimeDrive like Keri): They have the right to be treated fairly in their jobs and to be compensated appropriately for their efforts.
3. Customers (who receive the products): They have the right to expect a standard (or agreed upon) level of quality in the products they purchase.
4. Partners and creditors (of PrimeDrive): They have the right to expect competent management and accurate reporting.

Part 4: Alternative Actions and Consequences

Potential alternatives available to Keri and their outcomes include the following:

1. Inform top management of the situation: If Keri took this action the *CEO* would gain information that may lead him to make changes and stop the shipping of faulty drives. This may lead to better quality products for *customers* and improve the reputation and long-term profitability of *PrimeDrive* (and Stokes) and the profitability of PrimeDrive's *partners* and *creditors*. The *production managers* and *other employees* involved in the shipping of faulty drives may be fired and incur financial penalties. *Keri* is likely to be the target of animosity by product managers and other employees and may be seen as a trouble-maker.
2. Ask the production manager to change his behavior and stop shipping faulty drives: This action may have outcomes similar to Action #1. If the product manager responded to this request (maybe to avoid publicizing the behavior) the CEO, customers, and partners and creditors would benefit in the long-term. However, managers would likely fail to meet sales

targets and may be impacted negatively (e.g., via firing, financial penalty, lack of promotion), especially given the CEO's "hard-driving management style". In addition, production managers may harbor animosity against Keri for involving herself in their decisions.

3. Do nothing: If Keri decided to take no action then the product manager will likely continue to ship faulty drives. In fact, taking no action may encourage other product managers, under pressure from the CEO to meet goals, to engage in similar questionable behaviors. The CEO, partners/creditors, and customers would likely be negatively affected in the long-term as further degradation of product quality would disappoint customers and hurt PrimeDrive's reputation and sales. Finally, by taking no action Keri would put herself at risk of being fired or receiving other penalties, especially if it is learned later that she had knowledge of the product manager's actions.
4. Resign from the firm: The consequences of this action would be similar to those of Action #3 except that Keri would be out of a job in the short-term.
5. Report the product manager's behavior to an outside entity (e.g., a reporter or an industry watchdog): Keri may choose to report the product manager's behavior to people or entities outside the firm that have the power to expose/publicize the problem. This action may ensure that the CEO takes quick, corrective action to eliminate the questionable behaviors. While this may benefit consumers, PrimeDrive, and its partners in the long-term, PrimeDrive may be adversely affected in the short-term. The product managers would likely be fired. In addition, the CEO may be fired and fined for allowing such questionable behaviors within the firm. The resulting negative publicity would hurt PrimeDrive's reputation and sales. But an appropriate response to the situation may enable the firm to recover in the long-term.

Part 5: Teleological Perspective

From a teleological perspective, Keri should take the action that generates the greatest net benefits for all those affected. As such, Keri should take Action #1 (inform top management of the situation). This has the highest likelihood of generating positive outcomes for the customers, the firm, the CEO, and the firm's partners and creditors (without the negative publicity and adverse outcomes associated with Action #5). These benefits will likely come at the expense of the product managers (and others caught shipping faulty drives). However, the benefits to the *many* will far outweigh the costs to the *few*. While Action #2 may also be attractive from a

teleological perspective, asking the product manager to change his behavior will not eliminate the incentive for other product managers to engage in questionable behaviors to meet sales goals. Notifying top management has the highest likelihood of eliminating such incentives.

Part 6: Deontological Perspective

From a deontological perspective, Keri should take an action that exposes and eliminates the questionable behaviors (because the behaviors likely violate laws, organizational policy, and the rights of the customers), no matter the consequences. As such, Keri should take Action #5 because publicizing the questionable behaviors will expose them and force the CEO to take corrective action immediately. By reporting the manager's behaviors to an outside entity PrimeDrive will not be able to ignore the issues, which is possible with Actions #1 and #2.

Part 7: My Recommendation

[This is the most important section of the Case Report. Now that you have considered the stakeholders, the alternative actions and their consequences, and the teleological and deontological perspective, make your own, specific recommendations for resolving the moral dilemma. Be specific, be creative. Explain what you personally think is the right course of action in the case.]