

Teaching Note for Business Ethics
Sample Case Analysis

Eagle Rapids Engineering

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1. Who is the decision maker in the case?

The decision maker is Michael Furfey, who is the owner of the company.

2. What problem does the decision maker face?

An appropriate statement of the problem is critical. If the problem is misidentified or misstated, the rest of the analysis will go wrong.

Ordinarily, the problem should be stated in the form of a question that the decision maker must answer or resolve. There may be several adequate formulations.

Here the problem might be: Should Furfey continue to use the older equipment?

Alternate formulations might be: Should Furfey invest in new equipment? Can Furfey find a way to continue to use the older equipment and maintain a tolerable level of safety?

3. What courses of action are possible?

One, Furfey might continue using the older equipment and simply try to be more aggressive about enforcing safety procedures.

Two, Furfey might replace the existing equipment with newer machines, either all at once or progressively.

Three, Furfey might continue using the older equipment but slow the pace of production so as to reduce the pressure that provokes accidents.

Four, Furfey might try to restructure his debts so as to create some room to finance the purchase of new equipment.

Five, Furfey might just decide that he is in an impossible situation, cease operations, and liquidate the business. (This is rarely an attractive option.)

4. Who are the stakeholders?

Employees

Creditors

Customers

Community

5. What are the duties of the DM to the stakeholders?

Employees: the DM has a duty to ensure that the workplace is reasonably safe. This does not mean that there is no possibility of accident or injury but that 1) employees have reasonably safe equipment in good condition, 2) they have adequate training to operate the equipment, 3) they are supplied with appropriate safety equipment (goggles, gloves, etc) and 4) there are no hidden dangers in the workplace that a reasonable employee would not recognize.

Creditors: the DM has duties to repay the company's loans according to the agreed-upon terms and to operate the company so as to avoid unnecessary risks that would jeopardize its ability to repay these loans.

Customers: the DM has a duty to make every reasonable effort to honor the company's contracts for delivery of products, which entails timeliness, quality and price.

Community: the DM has a duty to make a reasonable effort to sustain the operation of the company since it is important to the local economy.

Note that none of these duties is absolute. The key to resolving the problem in most cases will be an assessment of the priorities and the limits of each of these duties in the light of the facts of the case.

6. Relevant themes from the course material

One theme might concern the virtue of prudence. Furfey has contributed to the problem by committing to an aggressive production schedule, which in turn puts excessive pressure on his employees to increase the rate of production and also the risk of injury. Furfey may have been imprudent to commit to such a schedule.

Another theme concerns risk and safety. Safety must always be understood within a context, not as an absolute objective. Increasing safety always has costs (financial, functional, efficiency, etc) and seeking to reduce costs often has implications for safety. In practice, a balance should be sought but that balance is a determination of prudence.

Still another theme concerns the common good. In this case, both the common good of the company and the common good of the community, which needs the company and its payroll, are at issue. Employees who disdain safety measures choose their convenience over the good of the company. Or, to put it another way, the common good of the company and the community may require some people to accept a reasonable level of risk in their work and may obligate them to take steps to minimize that risk.

7. Propose and defend a course of action

Several courses of action are possible and reasonable. The student must identify one and argue in its favor.

One course of action might be to continue using the older equipment with an increased effort to enforce safety procedures. This would permit the company to honor its contracts and thereby meet its revenue needs. If this is successful, they company could later install newer equipment. The moral principle would be something like: *A company can expect employees to assume a reasonable level of risk in the workplace.*

A second course of action would be to renegotiate or even repudiate some contracts with customers. This would enable the company to reduce the pace of production and the risk of injury. The moral principle would be something like: *A company ought to reduce the risk of injury to employees in any way possible.* Or *A company is not obligated to fulfill contracts that impose extra burdens on its employees.* Or *Employee safety is more important than customer satisfaction.*

A third course of action might be to finance the purchase of new equipment, even though this would jeopardize the stability and future of the company. (In analyzing this case, students often assume that there is no real risk here. The added debt is insignificant and will be repaid without making an impact on other aspects of the company's operations.) The moral principle would be something like: *A company ought to assume financial risks rather than accept risks to employee safety.* Or *A company must prefer risks to investors/creditors over risks to employee safety.*

Other courses of action are possible as well. In this case, like many others, each course of action must consider likely consequences. If the company is highly leveraged, as here, then taking on additional debt may be very unwise. It will have an effect on the company and if there are any unexpected problems ahead, it might threaten the survival of the company. Nor should a student simply assume that production contracts can be renegotiated without consequence.

In the end, it would be defensible for Furfey to continue using the older equipment and to insist that safety measures be followed (perhaps as a condition of employment). A workplace like this cannot be made absolutely safe and it can be argued that it is already reasonably safe, even if there is room for improvement.