



Business Values and Ethics

SBS MBA / MSc

Assignment - Qatar 2020

STUDENT ID

6	1	6	8	
---	---	---	---	--

UNIT TITLE / CODE:

NAME (in Full): Hanan Hafez Mahmoud

GENERAL INSTRUCTIONS

- All assignments are to be submitted **10th April 2020** on to examinationboard@atmsedu.org and cc to azrafatima@atmsedu.org, assignmentsubmission2019@gmail.com
- If assignment is not submitted on date, will follow with penalty of 10% deduction of marks for every day.
- Similarity between students work is strictly not accepted, any student found with similar work will be graded Zero and fail for the course. However, Plagiarism is an academic offence and will not be tolerated under SBS
- Assignment once submitted to exam board is final for marking.
- Total 100 marks

GUIDELINES FOR ASSIGNMENT

1. If assignment is Question & Answer based then.
 - Introduction is needed for each question.
 - Question has to be answered based on the mark allotted for each question with references if any idea or information is taken from other source.
2. If assignment is case based then,
 - Executive summary
 - Table of content
 - Body of assignment (questions related to case need to be answered)
 - Conclusion / Recommendation if any
 - References (in-text + citation) to be used.

Total Marks _____ / 100

PLAGIARISM

Plagiarism is a form of **cheating**, by representing someone else's work as your own or using someone else's work (another student or author) without acknowledging it with a reference. This is a serious breach of the Academic Regulations and will be dealt with accordingly. Students found to have plagiarised can be **excluded from the program**.

Plagiarism occurs whenever you do any of the following things without acknowledging the original source:

- ✓ Copy information from any source (including the **study guide**, books, newspapers, the internet)
- ✓ Use another person's concepts or ideas
- ✓ Summarise or paraphrase another person's work.

How do I avoid plagiarism?

To ensure you are not plagiarising, you must acknowledge with a reference whenever you:

- ✓ use another person's ideas, opinions or theory
- ✓ include any statistics, graphs or images that have been compiled or created by another person or organization
- ✓ Paraphrase another's written or spoken word.

What are the penalties?

The penalties for plagiarism are:

- ✓ Deduction of marks,
- ✓ A mark of zero for the assignment or the unit, or
- ✓ Exclusion from the program.

Plagiarism is dealt with on a case-by-case basis and the penalties will reflect the seriousness of the breach.

Please note: claiming that you were not aware of need to reference is no excuse.

Answer any 5 from the below.

Each question carries equal marks

Case Scenario I

You are running with a business since last many years. Over a period of time you have very good corporate image in market. But unfortunately, since last two years your firm is passing through crisis. Your business is suffering from heavy losses. You are planning to wind up your business. Meanwhile one big corporate house has announced a big corporate deal through auction. You have also decided to take part in that deal as it will be a last option for you to save your business. On the day of auction, so many companies have participated for this bid. Committee would declare the result after lunch break. You found the closed envelope of your competitor's bid during lunch break.

- a) Will you be ethical in this situation? If yes how? And if no! Why?
- b) If you be ethical, how you will survive your business.

Case Scenario II: Discrimination in the Workplace

Marian, a top graduate from Loyola in Humanities, was hired by a major corporation into a management position. Marian finished the corporation's management training program top in her group and is performing above the norm in her position. She is really enjoying her work.

As a woman she feels isolated, as there are no other women managers and few women in her area. One night at a company party she heard a conversation between two of her male co-workers and their supervisor. They were complaining to him about Marian's lack of qualifications and her unpleasant personality. They cursed affirmative action regulations for making the hiring of Marian necessary.

Marian is very upset and wants to quit.

Answer:

Gender discrimination in the workplace refers to the practice of treating an individual or a group of individuals unfairly due to their sex. Among the many issues in workplaces in Qatar is the high level of workplace discrimination, with women many times being the victims. Jones et al. (2017; p 123) explain that “over 65% of female employees in workplaces have suffered from workplace discrimination in form of physical abuse, verbal abuse, or sexual abuse, among other forms”. The research illustrates that the most common form of gender discrimination against women is verbal abuse, which is evident in the case of Marian who is a top graduate from Loyola in Humanities and has been hired by a major corporation to a management position. Such gender discrimination has numerous social, psychological, and emotional costs as evident in the case of Marian who feels isolated due to the negative remarks made against her by the male colleagues, who accuse her of lacking the relevant qualifications and having an unpleasant personality. Sheaffer et al. (2018) explain that gender discrimination significantly contributes to a low level of employees’ motivation and dissatisfaction, which leads to a decline in the employees’ productivity.

Questions:

- a) Should Marian quit?

Marian should not quit because such is likely to negatively affect her professionally and also affect the entire organization. It is evident in this organization that its high rigid patriarchal culture has seen women excluded in the recruitment and selection process, which has limited the number of women employees in the organization. Maria should thus not quit but rather focus on changing such a negative organization culture that compromises the dignity of women. Secondly, Marian’s quitting will likely compromise her professional or career goals, and she will likely feel incapable of serving in such a similar role in the future due to low self-esteem. Thus, she should not quit.

b) Are her co-workers correct in their evaluation?

Her co-workers are not correct in their evaluation. Such is because their evaluation is subjectively based on the personality traits, whereby they confess of Marian having an unpleasant personality, rather than the professional capabilities of the employees. They have a high level of prejudice against Marian, who is a female viewing her as a female rather than a coworker. Such subjective judgment based on the preconceived notions and ideas negatively affects an individuals' judgment, likely leading to gender or sex discrimination (Jones et al., 2017). Their evaluation thus fails to be correct considering that it is based on the preconceived judgment of female employees, whereby they generalize their false ideologies of female worker's incompetence and that is why they cannot recognize any strength in Marian.

c) Should Marian confront the co-workers?

Marian should not directly confront the co-workers because such might likely lead to workplace conflicts leading to a physical form of aggression. Rather, Marian should focus on using the developed organization's policies to report the issue to the human resource manager or any other relevant leader in the organization, who should address the issue.

d) Should Marian file a discrimination suit?

Marian should not file a discrimination suit first but rather seek to address the issue through the developed workplace policies in the organization related to gender discrimination. As Trentham and Larwood (2018) explain, lack of well-developed workplace policies has limited the ability of employees suffering from gender discrimination to have their issues effectively and timely addressed. In this study, over 45% of the female employees who were victims of abuse had confessed of having unmet grievances, due to the ignorance of their discrimination claims by the organization's management after they reported their discrimination suits. Even though that is a common challenge in such an organization that seems to support gender discrimination, the first step that Marian should take is to address the issue through the organization's internal mechanisms, and if the issue is not resolved to her satisfaction she should then seek legal redress.

e) Should Marian go to the supervisor?

Marian should go to the supervisor who would adequately address the issue. Such is because confronting her colleagues may likely hurt the future harmonious relationship she has with the colleagues, and it might likely fuel physical confrontation. Thus, going to the supervisor would be the best idea for Marian who will get a better understanding of the root causes of the discrimination, in the organization, which seems to have permeated the entire organization. Through the feedback given by the supervisor, Marian will be able to make an informed decision on how to address the issue, whether to seek legal redress or solve the issue internally.

f) What else could Marian do?

Marian has more responsibility in addressing this issue that seems to be part of the organization culture. First, she should convince the management the need to review its policies to make them relevant in addressing the female employees' workplace needs in the future and the need for regular monitoring to ensure that the policies developed are strictly followed. Secondly, Marian should seek to educate or sensitize her colleagues of the negative impacts their behavior has on the social lives of the female employees and the entire organization. Such should be done in collaboration with the management because the male colleagues may not be willing to listen to her.

Case Scenario III: Employee Absence

Joan, an employee of Great American Market, was warned about her excessive absenteeism several times, both verbally and in writing. The written warning included notice that "further violations will result in disciplinary actions," including suspension or discharge.

A short time after the written warning was issued, Joan called work to say she was not going to be in because her babysitter had called in sick and she had to stay home and care for her young child. Joan's supervisor, Sylvia, told her that she had already exceeded the allowed number of absences and warned that if she did not report to work, she could be suspended. When Joan did not report for her shift, Sylvia suspended her for fifteen days.

In a subsequent hearing, Joan argued that it was not her fault that the babysitter had canceled and protested that she had no other choice but to stay home. Sylvia pointed out that Joan had not made a good faith effort to find an alternate babysitter, nor had she tried to swap shifts with a co-worker. Furthermore, Sylvia said that the lack of a babysitter was not a justifiable excuse for being absent.

Answer:

Absenteeism in the workplace refers to the intentional or habitual absence of an employee from work. Even though the case, absenteeism fails to include no-show-or-no-call or the various instances that employees might lack control over. Even though employers expect that workers might miss a certain number of workdays in a year, increased absences by the employees significantly leads to a decline in the organization's productivity due to its effect on the other employees' morale and the entire organization's financial resources. Porter and Steers (2017) explain that in the recent era, absenteeism in both public and private workplaces has been on the rise, with over 45% of the employees in a survey carried in 2018 in Middle East admitting that they had been absent for reason that they could have controlled. In this survey, the absenteeism led to productivity losses, which were approximated to \$221.8 billion annually in 2018 in the Middle East. To be able to address such high costs that accompany absenteeism in workplaces, managers must use strategic steps that will ensure that organization's policies, which emphasize employees' loyalty and commitment, are adhered to.

Questions:

- a) Was the suspension fair?

The suspension executed by Sylvia on Joan, who was an employee of the Great American Market was fair. Such is because the employee had been warned about her excessive absenteeism several times, which included both verbal and written warnings that were comprehensive including the notice that further violations would automatically result in disciplinary actions. Thus, by Joan absenting herself from work, she knew the consequences of the action and was willing and ready to pay for such consequences. As Darr and Johns (2018) explain, the first important step in organizations experiencing the challenge of absenteeism should be the development of an employees' attendance policy, which enables the management to fast track each employees' actions and behaviors that violate the organization's policy. Such a policy ensures that all employees are handled fairly based on their actions. Such a policy seems to be in place in the organization, which has enabled the management to

identify the habitual absenteeism of Joan hence monitoring her regularly as a deviant employee, and this justifies the need for the action taken by Sylvia

b) Did Sylvia act responsibly?

Sylvia acted responsibly based on the organization's set policy as she acted fairly indicating a high level of responsibility as a leader. Porter and Steers (2017) explain that "the major challenge limiting the execution of the developed employees' attendance policies by many organizations are the lack of consistent monitoring and enforcement" (p. 153). Many of the leaders while executing such policies portray unfairness while dealing with employees, lowering their level of integrity. In this case, Sylvia shows a high level of loyalty and responsibility as a leader whose aim is to see the implementation of the developed organization's objectives. She has kept the track of the absent employees including Joan and this is what has enabled her to offer both the verbal and written warning to Joan. Sylvia's responsibility is evident, whereby after Joan called to say that she could be late, Sylvia explained to her that she had already exceeded the number of absences allowed by the organization's policy and warned that if she did not report to work, she would be suspended. The step shows a high level of open communication, with the employees being notified of the expectations of the management by Sylvia.

c) Should Joan be fired?

Joan should be fired due to her willingness to defy the organization's set policies. Such a high level of deviance is indicated by Joan who had first been given the verbal and a written warning and later notified that absencing herself any other instance would likely lead to suspension. The reason Joan cites for the cause of her absence is a reason she could have controlled as she could have sought an alternative caregiver as explained by the empathetic Sylvia, something she had willingly refused to do. On the other hand, she could have made local arrangements with the other employees to stand-in for her, something she failed to do and thus setting a bad example to the rest of the workforce. Failure to address the issue will likely see the other employees emulating her footsteps and this will likely compromise the organization's set goals

d) Should the babysitter be fired?

Joan should consider firing the babysitter but should first get a good explanation about the behavior the babysitter is portraying. There could be certain emotional, social, psychological or other forms of challenges, which the babysitter could be undergoing through and such might be limiting her ability to be effective in her duties. Thus, before firing the baby sitter, she ought to give her warning and also listen for the possible reasons behind the behavior the babysitter portrays. If it is due to negligence that the same behavior occurs, she should be fired.

e) Was Sylvia fair in her actions?

Sylvia was fair in her actions. She had been empathetic to Joan and provided a variety of alternatives in the previous instance that Joan could have used to solve her domestic challenges. Despite being given such alternatives, Joan never executed the recommended strategies by Sylvia. Secondly, Sylvia was fair because failure to suspend Joan would have limited her ability to handle similar issues in the future, which would likely compromise the organization's objectives. She could thus be unfair while suspending the other employees on their first instances of deviance, and this would compromise the policies set by the organization to address absenteeism, making them irrelevant.

f) Is there ever a solution for working mothers?

There is a solution for working mothers to ensure that they are able to balance their professional roles and responsibilities as well as the domestic roles, and such calls for a working environment that allows them a high level of flexibility. Working mothers should thus be allowed to make work arrangements based on their availability, enabling them to meet the other diverse responsibilities that seek to limit their productivity in workplaces. Such may also involve allowing them to work in shifts, and this requires a high level of understanding from the organization's management or from their spouses.

g) Should working fathers take turns staying home?

Working fathers should take turns staying home, to assist some of the responsibilities that might limit the ability of their spouses to progress with their career goals. As evident in the case for Joan, if the husband could be available at home, he could be addressing some of the issues cropping up due to the unavailability of the babysitter. Such thus calls for mutual understanding among the marriage partners that each other's professional goals are of equal importance hence should be respected at equal measure. The strategic step will enable many women who have suffered limitations due to their domestic responsibilities to pursue their careers. As illustrated by Darr and Johns (2018), men occupy more managerial positions in professional organizations, almost twice compared to their female counterparts in many of the countries in the Middle East, and such has been contributed by men shelving domestic responsibilities, which are viewed as the roles of women. Thus, the collaboration of the marriage partners in handling the domestic responsibilities will reduce the unnecessary emotional, psychological, and economic burdens that limit women's career progression.

Case Scenario IV

Sandoz Nutrition Corporation is a subsidiary of the Swiss pharmaceutical giant, Sandoz Ltd. Sandoz, based in Minneapolis, Minnesota, began manufacturing Optifast 70, a liquid meal-replacement weight loss program in 1976. The six-month program is designed for people who are at least 30 percent or 50 pounds over their ideal weight. Health problems often accompany excessive weight. Optifast provides an opportunity to get rid of the weight fast.

The Optifast program is only available through doctors, hospitals, and medical clinics; a prescription is required to purchase the products. The Optifast program typically begins with the patient being placed on 420 to 800 calorie diet per day of liquid protein for 12 to 16 weeks. Calorie intake is then increased to 1000 or 1200 calories per day for the remainder of the program. The total cost is between \$1400 and \$2800. Optifast sales grew slowly following its introduction as the medical community and consumers became aware of the program. Sales continued to build slowly until mid November 1988. Then Oprah Winfrey announced on her TV talk show that she had lost 67 pounds using Optifast. She appeared on the program in size 10 jeans to prove her point. Here was a celebrity endorsing Optifast without being asked for or paid! Within hours Sandoz received more than 200,000 phone inquiries about the Optifast diet program.

The firm does not publish sales figures, but they forecasted a sales increase of from 25 to 30 percent during the six weeks following Oprah's announcement. In 1989 Sandoz launched a print advertisement program, mostly in professional journals. Its promotional brochure and ad claims included: (1) "The one that's clinically proven safe and effective" and (2) "You can call the Optifast program today, and have all you need to control your weight for the rest of your life." Unfortunately for Oprah, she regained 17 pounds during the first year after she completed the Optifast program. Studies at the University of Pennsylvania suggested that people who undertake quick weight loss programs such as liquid diets are likely to experience weight rebounds. Studies at the University of Michigan indicated that as many as 90 percent of dieters regain weight within five years after losing it. Liquid diets have also been linked with dizziness, headaches, nausea, gallbladder problems, and irregular heartbeat. Thus, there appears to be some difference between claims and use experience.

Answer:

Business ethics over history has been the most complicated and the most contentious issue due to the highly competitive markets that forces many business organizations to focus on the profit-making initiatives, ignoring the need for social responsibility. As illustrated by Van Quaquebeke et al. (2019) "the current era has seen increased customers' awareness on their rights, who are making their inputs in the kind of services or products they should receive" (p. 129). In this article, the authors thus illustrate that for the business organizations to remain competitive and have enhanced sustainability, they must ensure that they have a high level of social and environmental responsibility. Such calls for them to engage in ethical marketing, which seeks to promote honesty, responsibility, and fairness in all their advertising efforts. It involves the business organizations following a list of principles of ethical marketing, which should be employed by all companies. Examples of unethical advertising include surrogate advertising, puffery, exaggeration, use of children in advertising, and stereotyping women, among other forms.

Questions:

- a) Were any ethical norms or principles violated by Sandoz?

In the case of Sandoz Nutrition Corporation, which is a subsidiary of the Swiss pharmaceutical giant, Sandoz Ltd. Sandoz, based in Minneapolis, Minnesota, and offers Optifast 70, a liquid meal-replacement, there were certain ethical norms or principles violated by Sandoz. The first form of violation was the exaggeration, which refers to the practice of the advertisers using false claims about the products' effectiveness, quality, or popularity. In this advertisement, the company breaches the principle that states that all communications share a common truth because the information communicated was not true. As evident in the case, the use of the liquid diet is not as effective as advertised, because it has been proven to lead to increased weight gain among the users after a certain period. The corporation thus provided wrong information to the public aiming to gain popularity that their diet program enhances weight reduction without informing them such weight loss is seasonal. Through such misinformation, they exploited many of the public members who were unaware of the ineffectiveness of the program. Thus, the professionals violated the principle that marketing professionals must abide by the highest standard of personal ethics, whereby they were not transparent in their advertisements that could have enabled the participants to make informed decisions after considering the benefits and the costs of the program. They also engaged in deceptive marketing whereby Sandoz launched an advertisement program illustrating that the program was safe and effective, which was not the truth. Sandoz was thus making false brand comparisons because the program had not clinically been proven to be the best to ensure that its use would justify a healthy life in the future as Sandoz claimed.

- b) Are liquid diet products ethical products? Justify your answer

Liquid diet products, which refer to nutritional programs that require the participants to get their calories from liquid foods and not solid foods are unethical. They are unethical because they likely cause more harm than good to the users as evident in the case, whereby the use of the diet was only effective as long as the participants were using them, and on stopping their use, the participant would gain weight. The constant weight gain while using liquid diets is due to the fact that liquid diets have low calorific values than diets containing solid foods (Van Quaquebeke et al, 2019). The research explains that low calories of between 1200-1500 calories per day among the users of the liquid diets are only effective during their period of use, after which the body readjusts to its previous calorie intake hence the gaining of weight. Thus, the advertisements focusing to convince the public on the need for using liquid calories likely adopt unethical behaviour in advertisements such as hiding some important information, exaggerating or giving the public distorted information to ensure that the companies enjoy profits. The practice compromises the level of social responsibility through the companies selling harmful products that have risks to those who take them.

- c) What moral responsibility might Sandoz have considered when developing its promotion messages for the customers?

When developing its promotion messages for the customers, Sandoz could have considered the potential harm that such use of the diet programs would have on the users. The Corporation could have considered the numerous health risks that the use of the liquid diets were exposing to the users, rather than considering the profit the company was likely to get out of the sales realized. Secondly, Sandoz could have considered the level of mistrust that would emanate from such a deceptive advertising program, whereby the Corporation would likely lose many of its loyal customers who could find it hard to trust its various products in the future. The deception and lack of transparency by the Corporation that concealed vital information to its customers was likely to haunt the organization's sustainability in its future and such could be blamed on its leadership.

Case Scenario V

Arthur Edward Anderson (1885-1947), the founder of Arthur Anderson & Co. must have turned in his grave in 2001, as the auditor firm founded by him became a synonym for scandal in the accounting profession. On 15th August 2001, Sherron Watkins, an employee of Enron, questioned the company's accounting practices, in a single-page letter to its CEO. Enron, the energy giant that ruled the world, and its auditor Arthur Anderson & Co., became the ridicule of the world. In early 2002, the US Justice Department began criminal investigations into Enron's bankruptcy. In 2002, Arthur Anderson was convicted by the lower and appellate courts for obstruction of justice. The firm had worked hand in glove with Enron and cooked its account books. The audit firm that once had an 85,000 strong workforce, now had closed offices and business interests around the globe. The firm's name is so tarnished that there is no other business going on in it, other than attending to over a hundred civil suits.

Answer:

Accounting Fraud

Accounting fraud refers to the intentional manipulation of a company's financial statements, aiming to create a false appearance of the company's financial health (Huber, 2017). Such practice may be carried by the management in collaboration with the accounting officers as evident in the case scenario that involved the firm that worked hand-in-glove with Enron and cooked its account books. It thus involves the inputs of an accountant, an employee or the management of the organization intentionally misleading its shareholders and investors in an attempt to gain their trust and loyalty. Accounting frauds may take different forms with the first being the overstatement of the company's revenue. Such is common when a company operates at a loss hence fail to generate enough revenue as the management may desire. In an attempt to cover the situation, the company might claim that it has been generating more income than the actual situation based on its financial statements. The company thus inflates its profits which drives up the share prices of the company hence a false image of its financial health. The second type occurs when a company fails to record its expenses leading to an understatement of the costs undergone by the company and an overstatement of the net income in its income statement. Thirdly, the company may misstate its liabilities and assets. For example, such may involve the company overstating its current assets yet understating its current liabilities thereby providing a false impression of its short-term, liquidity (Pamungkas et al., 2018).

Questions:

- (a) What do you think can be the outcomes of an accounting fraud to the society and business at large?

Accounting fraud has numerous negative outcomes to the society and business at large. The first is the high level of turnovers among employees who no longer trust the company's management in enhancing the company's sustainability. As evident in the case of Enron, the company lost 85,000 of its workforce, leading to the company closing its operations. The closure of the company is thus attributed to the loss of indemnification and confidence, which forces the employees to look for better employment opportunities elsewhere. Thus, the closure of the company is an immediate effect on the company's employees and management who are turned jobless. In addition to the mistrust among the company's employees, accounting fraud leads to distrust among the investors, who lack trust in the reliability of mandated corporate filings. Enron's investors are thus likely to the withdrawal their shares, which will lead to a general decline in the shareholders' equity. The company is thus unable to persuade new investors to do more investments in the company that has poor financial health. Thirdly, accounting fraud has a negative effect on the suppliers, whereby it affects their supplying margins. Considering that suppliers have a low level of trust in the company that has an uncertain future, they are unwilling to make bulk suppliers for the company, making the company suffer a lot, particularly during the higher supplier periods. The company may thus be forced to compromise the quality of the supplies it receives since it has very few suppliers, who may be even incompetent to offer quality supplies.

Fourthly, accounting fraud has long-lasting negative implications on the customers previously served by the company. The first impact is that the customers are unable to get quality supplies or fail to get supplies completely after the downfall of the company. For example, the customers who were depending on the energy supplied by Enron experienced a shortage in energy supply after the company closed its operations. Such closure of the energy giant would likely lead to the monopoly in the market, increasing the likelihood of the exploitation of the customers considering that they majorly depended on the company. They thus faced inflation in the energy supplied considering that there were fewer companies supplying the energy to meet their demand. Lastly, accounting fraud negatively undermines the market mechanisms, whereby the company is forced to shoulder the heavy burdens created by civil suits. As evident in the case of Enron, there were over 100 civil suits that faced the management of the company. Such led to the blame being levied on the government, which might be accused of not regulating the market mechanisms. In addition, the occurrence of the accounting fraud leads to heavy economic losses particularly on the government, which benefits from the tax collected from these large companies. The closure of several large companies in a country due to the occurrence of accounting frauds might thus lead to an economic crisis, whereby the government may be forced to seek high-interest loans from international sources, negatively straining its economy (Kranacher and Riley, 2019). Thus, the occurrence of an accounting fraud has numerous negative implications not only to the individual employees or the management of the company but to the entire society.

- (b) Why do you think that the history of accounting fraud repeats itself, such as so many frauds which we have heard after Enron scandal?

The history of accounting fraud repeats itself as indicated by many frauds heard after the Enron scandal due to various reasons. The first reason is the colonization of accounting by positive economic science (PES) leading to auditors' involvement in the fraud (Huber, 2017). Based on this research, the overreliance on the technical means has seen superficial verification of the company's compliance with the set standards. The scientific measures used to define the compliance standards are thus easily manipulated by the management to fit their needs. Too much trust has been relayed on the developed mathematical models that define accounting procedures and rules, and this had led to wrongly estimated compliance fostering the culture of accounting fraud.

The second is decline in the morality and corporate responsibility among companies guided by their selfish motives. Such lack of responsibility among the organizations' management thus overrides the sense of social and corporate responsibility towards the customers whom they serve, the investors, and creditors who have levied trust on the organizations. The decline in the social responsibility has seen many of the individuals engaging in the fraud ignoring the numerous social, economic, and psychological costs they create to the customers, investors, and the suppliers, with the individuals basing their subjective judgment of the morality of their actions on the monetary benefits they are likely to gain after engaging in the accounting fraud.

The third cause of the recurrent accounting frauds is the increased independence of the auditors in the management of the organizations' financial resources. The increased independence of the auditors has seen minimal involvement of the employees in the management of the corporate finances, leading to a decline in the employees' financial responsibility. The employees thus fail to question the morality of the accounting practices in the organizations they work in due to the fear of being retrenched. The independence has also led to reduced monitoring by the government to ensure that organizations are following the set accounting standards, rules, and procedures, increasing the likelihood of a compromise in the set rules.

Case Scenario – VI: Purchasing Ethics

J.R. accepted a position at Cripple Creek Vocational University and he and his family made a permanent move. Soon, J.R. was promoted to Administrative Vice President, overseeing the purchasing department of the University. His oldest son, Jim, got a good job in educational equipment sales at Tiddley Computer Corporation in Fort Worth.

As Vice President, J.R. quickly saw the need for 4 to 5 computers in his office. Although CCVU had a bidding policy, J.R. purchased Tiddley Corporation's computers direct from Tiddley for about \$3500 each, when IBM clones were selling for around \$2000 and the clone had more promising features than the Tiddley. Jim handled the sale and received a healthy commission on the sale. If the purchase had gone through the normal bidding process, the TC model would not have been selected. Tiddley's local Cripple Creek franchise dealer objected to Tiddley Corporation that his protected franchise had been bypassed in the deal.

Answer:

Ethics in purchasing and management covers a wide range of issues, which range from practices in corruption to the supplier business procedures. For organizations to ensure ethical sourcing practices are followed there is a need for an ethical code of conduct guiding the sourcing and purchasing of the various items. Such helps in reducing the possible bias that might see the purchasing decisions skewed to benefit individuals who have close relationships with the supply chain managers or other executives in the organization as evident in the case of Cripple Creek Vocational University, whereby the close family relationship has seen J. R. purchasing the organization's computers direct from Tiddley.

Questions:

- (a) Since J.R. was over the purchasing department and had final decision authority, should purchasing have gone through the normal bidding routine?

Even though J.R. was over the purchasing department and had final decision authority, purchasing should have gone through the normal bidding routine. Normal bidding rules in organizations ensure that there is integrity, fairness, impartiality, and transparency in the sourcing procedures (Jiang et al., 2017). As evident in the case, there was a high level of impartiality, which saw J.R purchasing computes at an expensive price of \$3500 from Tiddley when IBM clones were selling them for around \$2000, and their computers had better features. The impartiality and unfairness could have been eliminated if J.R followed the normal bidding procedure, which is would have bound him to abide by the set rules.

- (b) Is it acceptable for a V.P. to bypass the normal routine to do business with a family member?

It is not acceptable for a V.P. to bypass the normal routine to do business with a family member. Considering that the V.P should act as the role model to be emulated by the other employees in the sustenance of the organization's culture, such bypassing of the normal routine shows that the other employees have the right to decide on which rules to obey and which ones not to. Such is likely

to compromise the culture developed by the organization based on core values of transparency, integrity, fairness, and impartiality that guide ethical sourcing.

(c) Was J.R.'s decision not to request bids an ethical choice?

J.R.'s decision of not to request bids was an unethical choice. Such is because the choice ignored the basic principles guiding ethical sourcing. The failure to request bids created an unfair environment through which the available suppliers for the computers would compete favorably, aiming to meet the bidding criteria by the organization. The decision also lacked transparency since the procurement process was using the organization's funds and not family funds. The scrutiny of the procurement process used by J.R. by Tiddley's local Cripple Creek franchise dealer who objects the decision will thus likely lead to the damaged organization's culture.

(d) What should the college purchasing agent do?

The college purchasing agent has a significant role to play to ensure that the organization's ethical policy is not compromised, which will show his/her high level of accountability and responsibility. First, the college purchasing agent should inform J.R. that he contravened the organization's ethical codes of conduct with regard to sourcing. In case the V.P. fails to listen to the agent's warning, the purchasing agent should inform the organization's general manager of the unethical practice that is likely to taint the organization's image. The step should see the reversal of the purchasing orders made to ensure that a fair and transparent process is followed.

(e) Should anyone else at CCVU have any interest in this activity?

Any other stakeholder at CCVU should have an interest in this activity. The unfairness and lack of transparency are likely to compromise the organization's goals and culture. It is the sole responsibility of each of the stakeholders in the organization to ensure that the culture is maintained. Thus, all stakeholders' involvement will help address such a stemming culture, which if not addressed will likely repeat at a higher level and will have more adverse effects in the company, affecting all the stakeholders. Thus, as a sign of responsibility and loyalty to their organization, every stakeholder in the organization, both internal and external, should be interested in ensuring that the activity is carried in the fairest and transparent way.

(f) Has Tiddley's Cripple Creek franchise owner been wronged?

Tiddley's Cripple Creek franchise owner has been wronged by being discriminated against during the purchasing. The discrimination is evident whereby their computers are of a higher quality and are cheaper, yet the purchasing decision was made to favor Tiddley because they have a family relationship with the V.P. who guided the decision.

(g) Should Jim have made the sale? Received a commission?

Jim should not have made the sale nor received a commission considering that an objection had been raised indicating the unfairness in the practice. As a democratic leader, he should have listened to the opinion of the others and reviewed the ethical principles guiding the making of the purchasing decisions in the new company he joined. Such use of a democratic leadership style during sourcing increases the influence of the leader who is seen as an effective contributor to the success of the organization (Jiang et al., 2017). Through Jim involving the other stakeholders, he would create a sense of inclusivity and increase their loyalty towards the company.

References

- Darr, W. and Johns, G., 2018. Domestic roles, health, and absenteeism: a meta-analysis. *Journal of occupational health psychology*, 13(4), pp.293-295.
- Huber, W., 2017. Forensic accounting, fraud theory, and the end of the fraud triangle. *Journal of Theoretical Accounting Research*, 12(2).
- Pamungkas, I.D., Ghozali, I., Achmad, T., Khaddafi, M. and Hidayah, R., 2018. Corporate Governance Mechanisms in Preventing Accounting Fraud: A Study of Fraud Pentagon Model. *Journal of Applied Economic Sciences Quarterly*, 8(2), pp.549-560.
- Jiang, Y., Jia, F., Blome, C. and Chen, L., 2017. Achieving sustainability in global sourcing: towards a conceptual framework. *Supply Chain Management: an International Journal*.
- Jones, K.P., Arena, D.F., Nittrouer, C.L., Alonso, N.M. and Lindsey, A.P., 2017. Subtle discrimination in the workplace in Qatar: A vicious cycle. *Industrial and Organizational Psychology*, 10(1), pp.51-76.
- Kranacher, M.J. and Riley, R., 2019. *Forensic accounting and fraud examination*. John Wiley & Sons.
- Porter, L.W. and Steers, R.M., 2017. Organizational, work, and personal factors in employee turnover and absenteeism. *Psychological bulletin*, 80(2), pp.151-157.
- Sheaffer, Z., Levy, S. and Navot, E., 2018. Fears, discrimination and perceived workplace promotion. *Baltic Journal of Management*, 12(3), pp. 23-29
- Trentham, S. and Larwood, L., 2018. Gender discrimination and the workplace: An examination of rational bias theory. *Sex roles*, 38(1-2), pp.1-28.
- Van Quaquebeke, N., Becker, J.U., Goretzki, N. and Barrot, C., 2019. Perceived ethical leadership affects customer purchasing intentions beyond ethical marketing in advertising due to moral identity self-congruence concerns. *Journal of Business Ethics*, 156(2), pp.127-136.