

BUSINESS VALUES AND ETHICS

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1. Case Scenario I: Corporate Deal

a) Will you be ethical in this situation? If yes how? And if no! Why?

The case scenario explains that the business is under tremendous financial pressure and that successfully winning this new deal may be the last chance to save the business from failure. The opportunity has arisen to gain information on a competitor's bid which the business owner could use to increase their chances of success. In doing so, the business owner would be breaching the rules of the auction to obtain information to gain an unfair advantage, however this would be unethical.

Ethics can be described as 'the discipline dealing with what is good and bad and with moral duty and obligation' (Definition of Ethics, 2020). Merriam-Webster also offer an alternative definition as 'the principles of conduct governing an individual or a group'.

The ethical action in this scenario would be to disregard the competitor's bid and respect the protocols of the auction, thereby adhering to the principles of conduct. In contrast, an unethical response would be to open the envelope to gain information on the competitors bid to gain inside information which could be used to the business owners benefit to alter outcome of the competitive auction.

When presented with this situation, one could argue that it would be acceptable to be unethical if the success, or failure, of the business depended on the outcome of the auction however it would be a blatant breach of process to unfairly influence the outcome.

If presented with this situation, I would act in an ethical manner and disregard the envelope with the competitor's bid and not attempt to gain a competitive advantage on the auction process. We learn from the scenario that the business has built and upheld a very good corporate image in the market and acting unethically could easily damage this should it come to light. As the business owner, it is imperative that I demonstrate ethical behaviour both internally, to set the right standard within my organisation, and externally in the market with competitors and consumers. If I were to gain a competitive advantage through operating unethically then this would have long term negative impacts on my organisational culture and reputation in the marketplace. Whilst it could be argued that I would not be caught out with this unethical behaviour and benefit from competitive advantage, this would contradict the principles of deontological ethics which argue that 'actions should be guided by a universal set of principles that apply irrespective of the consequences' (Fisher, Lovell and Valero-Silva, 2013).

b) If you be ethical, how you will survive your business.

I would adopt an ethical response the financial pressures facing my business. We know from the case study that the company has a very good corporate image in the market which has real value, and I would seek to capitalise on this.

To address the financial problems, I would look to raise capital from banks and investors to inject liquidity for cashflow and growth. In parallel, I would review by business strategy and explore ways of developing new products and services, repositioning the business and potentially entering new markets. An effective approach to adopt in this scenario would that of an 'edge-centric' strategy to scan the periphery of the market for untapped customer needs or unsolved problems (Nunes and Breene, 2011).

2. Case Scenario II: Discrimination in the Workplace

This case scenario describes an incident involving a high performing female employee, Marian, and a conversation she overheard at a company party which has left her both upset and questioning her ongoing employment.

a) Should Marian quit?

We know that Marian is upset from overhearing this conversation and is now questioning her employment. We are also told that Marian is a top graduate from Loyola, had been employed in a management position by a major firm and finished top in her group on the management training programme. In addition, we are told she is a high performer and enjoys her work. Whilst it might be upsetting to overhear her male colleagues discuss her qualifications and personality, Marian should not quit her job. She is clearly an asset to her firm and has been selected on the basis of her skills and potential. By resigning on the back of overhearing this unofficial conversation that took place outside of work, she would unnecessarily sacrifice the opportunities of employment and on-going career development.

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

Marian's co-workers are incorrect in their evaluation. Marian is a top graduate from Loyola and finished top in her management training programme. There are no grounds to call into question Marian's qualifications based on the scenario. With regard to the commentary regarding Marian's unpleasant personality, there is no specific evidence in the scenario in relation to this, however we are told that she is performing above the norm for her position. On the assumption that values and behaviours are considered as part of her performance appraisal, the co-workers' evaluation on her personality could also be considered incorrect.

In any case, the fact remains that these are subjective opinions expressed outside of the office and Marian should disregard such unofficial feedback from co-workers. They should have no bearing on her professional status in her role at the corporation.

c) Should Marian confront the co-workers?

Marian should not confront her co-workers during or after the event in relation to this matter. These are unofficial opinions expressed outside of the office which will always exist in the workplace.

d) Should Marian file a discrimination suit?

Once again, these are unofficial opinions expressed outside of the office and should be disregarded by Marian. Specifically, discrimination refers to less favourable treatment on the grounds of the protected characteristics of an individual, for example gender, race or religion (Bach and Edwards, 2013). There is no evidence from the scenario that these unofficial opinions have resulted in discriminatory behavior towards Marian in the workplace.

e) Should Marian go to her supervisor?

Marian may choose to go to her supervisor as a result of overhearing this conversation, however these were unofficial opinions expressed outside of the workplace and there would be no need to address this formally. I would recommend that Marian should not raise these with her supervisor.

f) What else could Marian do?

Marian would be best placed to ignore this conversation and focus on her career at her company. Once again, such unofficial opinions on her qualifications, personality and the question of her being recruited to fill a quota have taken place outside of the workplace in an informal environment. However upsetting these opinions are for Marian, these should have no bearing on her companies appraisal of her performance, her employee rights or indeed her performance in her role.

3. Case Scenario III: Employee Absence

This case scenario deals with a case of excessive absenteeism of an employee, Joan, who is subsequently suspended for a further violation having received a written warning from her employer. Joan argues that the latest violation is due to her childcare provider cancelling on her and she was unable to report for duty.

a) Was the suspension fair?

Yes - the suspension was fair as the scenario explains that Joan had already exceeded the number of allowed absences and had received verbal and written warnings from her employer. Furthermore, the written warning explicitly stated that further violations would result in disciplinary actions, including suspension or discharge. In addition to this, Joan's supervisor reminded her of the consequences when she called to say she would not be reporting for duty which subsequently led to her suspension.

It is also pointed out that Joan did not make any attempt to find an alternative childcare or attempt to swap shifts.

The evidence in the scenario indicates that the employer followed the necessary disciplinary steps in the buildup to Joan's suspension, including verbal and written warnings.

b) Did Sylvia act responsibly?

Sylvia can be considered to have acted responsibly. She ensured that the HR processes were followed and, as a manager, has a duty to ensure the company's performance standards and productivity are upheld. Absenteeism affects productivity, financial performance and morale and in 2015 cost US businesses over \$225 Billion (Worker Illness and Injury Costs U.S. Employers \$225.8 Billion Annually | CDC Foundation, 2015).

Sylvia is accountable for ensuring that company resources and performance are maximised and has acted responsibly throughout the process and in suspending Joan. Sylvia has communicated the company policy and made Joan aware of her obligations as an employee.

c) Should Joan be fired?

There is no evidence in the case to suggest that Joan should be fired on this occasion. If there are further incidences of unauthorised absenteeism, then Great American Market Co. are within their rights to review the status of Joan's employment in line with their HR Policy.

d) Should the babysitter be fired?

The babysitter employment status has no relevance to the core issue in this scenario nor does it bear any relationship to the context of Joan's employment. There are no details of any employment contract between Joan and her babysitter; that would be a matter for Joan to assess and take any appropriate action.

e) Was Sylvia fair in her actions?

The evidence from the case scenario indicates that Sylvia was fair in her actions. It appears that Sylvia clearly communicated the policy around absenteeism and followed the necessary HR procedures. There is a suggestion in the final para Sylvia would have been prepared to show some discretion due to Joan's unfortunate circumstances if she had demonstrated she had attempted to make alternative arrangements or tried to swap shifts.

According to the Society for Human Resource Management, there are six criteria to ensuring disciplinary fairness.

Criteria for Disciplinary Fairness	Case Scenario Evidence
Thoroughly investigating the circumstances, including interviewing of witnesses	There is evidence that Sylvia consulted Joan on multiple occasions with regard to her absenteeism. There is no reference to witnesses being consulted, nor required.
Providing notice of the misconduct to the employee	Sylvia provided verbal and written notification of misconduct
Allowing the employee an opportunity to respond to the allegation	Evidence of a hearing to respond to the misconduct
Making the "punishment fit the crime." Draconian discipline for a minor infraction is counterproductive, and modest discipline for a serious infraction is not helpful.	15-day suspension for excessive and repeated absenteeism even after verbal and written notification seems proportional.
An employee should have some right to appeal a disciplinary decision to some person above the rank of the one issuing the discipline who was not involved in the initial decision.	There is evidence of a hearing taking place.

Employers must keep a careful paper trail to document each infraction and the discipline administered.	No evidence in the case scenario, however the written warning suggests that absenteeism was documented. Records would need to be produced to support the number of days that Joan was absent.
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Table 1. Disciplinary Fairness Assessment adapted from (Understanding Employee Discipline, 2020).

Created by (Lloyd Gozzett, 2020)

In conclusion, Sylvia can be considered fair in her actions.

f) Is there ever a solution for working mothers?

There are multiple solutions for working mothers that organisations and parents can adopt to avoid and address this form of absenteeism and to take the stress out of childcare. These range from flexible working hours, childcare allowance and in some cases on site facilities and creches. Beyond addressing the challenges of absenteeism, an effective childcare policy whether it be flexi-hours, financial assistance or direct onsite support is essential to allow employees with children to sustain employment and can assist with retention (Roper, Prouska and Ayudhya, 2010).

g) Should working fathers take turns staying home?

The subject of childcare is not gender specific and modern organisations adopt gender-neutral policies when it comes to support with childcare. The US food manufacturer, Campbell's Soup provides a ten-week, gender-neutral, parental leave programme for all employees (Beck, 2017).

4. Case Scenario IV: Sandoz Nutrition

This case scenario considers the Optifast weight loss program designed and sold by Sandoz Nutrition since 1976. The product is targeted at consumers who wish to lose between 30-50 pounds, quickly, through a calorie deficit liquid diet programme. The case explains that the programme requires an investment of between \$1400 and \$2800 by the consumer and claims that the programme is both 'clinically safe' and provides a weight management solution for the 'rest of your life'. We learn that Sandoz benefitted substantially from an unofficial endorsement by celebrity talk show host Oprah Winfrey resulting in an estimated increase in sale of 25-30%.

We learn that despite the product's efficacy and safety claims, research from the University of Pennsylvania and Michigan indicate that as many as 90% of consumer regain weight in 5 years and that liquid diets have been linked with concerning side effects including irregular heartbeat, nausea and gallbladder problems.

The research on safety and efficacy of the programme contradicts the manufacturers claims which could be argued to call into question the ethical nature of the product and the marketing. This will be discussed further in answering the scenario questions.

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

This is an interesting and complex topic of consideration. It is stated in the scenario that Optifast only available under prescription through doctors, hospital and medical clinics. This suggests that Sandoz acted ethically with regard to the distribution and regulation of the product.

There is a counter-argument that is worth consideration with respect to administration of the pharmaceuticals and medicine in the United States. According to data published by consumer advocate ProPublica, pharmaceutical companies paid of \$9 billion to doctors and physicians for promotional talks, research and consulting between 2013 and 2016 (Luhana, 2019). Whilst there is no evidence in case scenario of Sandoz having made payments to physicians to encourage the prescription of Optifast, this practice cannot be ignored when considering the ethical norms adopted in the promotion of this type of programme.

The second area for ethical consideration is that of the promotional benefit gained from the celebrity endorsement by Oprah Winfrey. The scenario states Oprah was not paid for her endorsement of the product and so there is not suggestion that Sandoz violated any ethical norms or principles.

The third area of consideration is that of the marketing of the product by Sandoz. Based on the research by Michigan and Pennsylvania Universities, we learn that there is in fact strong evidence of weight re-bounding and harmful side effects that are in conflict with Sandoz's claims. Sandoz could be considered to have been in violation of ethical norms with their misleading promotional strategy.

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

In answering this question, we should define some of the ethical principles around health products:

- Products should promote and facilitate a lasting improvement in health to society
- Products should be targeted to specific individuals and avoid the targeting of children
- Products consider the balance of risks and benefits
- Products should promote ethical health choices
- Products should avoid making misleading or inaccurate health claims

Adapted from (Nestle, 2000)

Let us now consider liquid diets in the context of these principles.

Principle	Liquid diets - Evaluation
Products should promote and facilitate a lasting improvement in health to society	The evidence from the research by Michigan and Pennsylvania Universities provides strong evidence that the health benefits in 90% of cases are temporary and not long-lasting.
Products consider the balance of risks and benefits	In addition to the short-term benefits of liquid diets, the University research cites a number of harmful side effects linked with liquid diets. This evidence suggests that the risks do not justify the short-term benefits.
Products should avoid making misleading or inaccurate health claims	We have already questioned the misleading nature of the efficacy, safety and long term health benefits of Optifast in the scenario.

	Research highlights that Optifast, along with other liquid diet brands, were found to have misrepresented the benefits and made misleading and deceptive claims in their marketing (Jennings, 2009). This can be considered unethical.
Products should be targeted to specific individuals and avoid the targeting of children	Liquid diets are typically targeted to overweight and obese consumers and there is no evidence that they are targeted towards children.
Products should promote ethical health choices	Liquid diets are founded on a caloric deficit and do not promote exercise or the need to be physically active, nor do they promote a balanced nutritional diet.

Table 2. Ethical Assessment of Liquid Diets Products adapted from (Nestle, 2000)

Created by (Lloyd Gozzett, 2020)

In conclusion, there is evidence that liquid diets should not be considered as ethical products. The risks outweigh the long-term health benefits to society at large, marketing has been ruled to be misleading and deceptive and the products do not promote appropriate health choices such as exercise and a balanced diet.

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

We learn from the case study that Sandoz's promotional messages were founded on two principles. Firstly, that the product was 'proven safe and effective' and secondly that it provided 'all you need to control your weight for the rest of your life'.

In 1991 the Federal Trade Commission charged Optifast 70 with making deceptive promotional claims that were unsubstantiated hype (Jennings, 2009). It is clear therefore that Sandoz acted unethically and misled its consumers into believing that their product was a 'silver bullet' for a lifelong solution to weight loss.

Sandoz had an ethical and moral responsibility to accurately report that a high proportion of consumers experienced weight rebounding within 5 years, rather than deceive them with claims that this would be a solution that lasted for the rest of their life. Furthermore, the promotional messages should have provided independently verified research and data to support the efficacy and benefits claims. Sandoz should have been mindful of the target consumer, that being an obese demographic looking for a ‘quick-fix’, who could be considered susceptible to being misled by such promotional hype; they had a moral responsibility to protect the consumer.

5. Case Scenario VI: Purchasing Ethics

The case scenario describes the purchasing process Cripple Creek Vocational University (CCVU) and the decisions taken by the Administrative Vice President, J.R. The scenario provides evidence of a conflict of interest between J.R. in his role in overseeing the purchasing department and a contract awarded to Tiddley Computer Corporation at which his son, Jim, was employed. This conflict of interest can be considered to be an example of the principal-agency problem.

The relationship between a principal and the agent who acts on the principal's behalf presents opportunity for a conflict of interest; the principal–agency problem arises when this relationship involves both misaligned incentives and information asymmetry (Shah, 2014).

In the case of CCVU, J.R. (the agent) is aware that the purchase price for the computers from Tiddley were more expensive than others on the market with a high feature set. J.R is obliged to act in the best interest of his company (the principal) and run a competitive tender and follow the official bidding policy to purchase the most suitable product at the best. In addition, J.R. is aware that his son works for the Tiddley and will get a healthy commission for completing the sale; therefore, information asymmetry exists. J.R has misaligned incentives to purchase more expensive and less effective computers from directly via his son at Tiddley direct in the knowledge that his son will receive a healthy commission, despite this being detrimental to CCVU and in breach of the competitive bidding policy.

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

Yes - the purchase should have followed the normal bidding process. Any exception to this should get prior approval from a separate corporate governance team. This should be an auditable process. This is especially the case in the scenario where there is a clear conflict of interest between J.R. and his son's company Tiddley.

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

No – this is not acceptable and is a violation of the organisational ethics and corporate governance on two counts; bypassing the corporate bidding process **and** non-disclosure of a conflict of interest with a potential supplier due the involvement of a family member.

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

No – J.R.'s decision was not an ethical choice. Failure to follow the company policy and award a contract to Tiddley directly in the knowledge that his son would receive financial benefit is in not adhering to the principles of conduct governing an individual or a group. (Definition of Ethics, 2020).

(d) What should the college purchasing agent do?

The college purchasing agent should formally disclose the transaction to the corporate governance department of the procedural breach and unethical actions. The legal department should terminate the contract with Tiddley and, if possible, withhold payment and return the products. The bidding process should be followed, and a competitive tender issued to the market.

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

The legal department and corporate governance teams should be made aware of this activity. They should investigate the matter and assess any potential liabilities to CCVU as a result of this incident.

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

Yes – as a result of J.R.'s unethical actions to directly award to Tiddley, the franchise dealer has been denied the opportunity to bid and win the tender. The franchise owner has grounds to question the both the actions of CCVU and that of Tiddley Corporation head office for allowing the sale to go through. The franchise owner will have entered into a contractual agreement with Tiddley Corporation and will have paid 'fees' for the right to operate and sell computers in that territory (What is a Franchise?, 2020). The owner has been bypassed in this deal and financially damaged. He would be advised to check terms and conditions of his protected franchise agreement and seek legal advice.

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

No – Jim should not have made the sale and has acted unethically in handling the transaction between Tiddley and CCVU outside of a competitive bidding process, in the knowledge that his father is the Vice President of Purchasing. It is common practice for companies to have in place conflict of interest policies and Jim would have acted unethically

by not adhering to the principles of governance (Definition of Ethics, 2020). Furthermore, he should not have gained financial benefit from his unethical actions by way of a commission.

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