

# **Business Ethics and Values**

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## Business Ethics and Values

### **Executive Summary**

This assignment is referring to the topic of Business Ethics and Values. In the introduction part of the assignment, there is information about the history of ethics, how it evolved, and some information about the key persons that contributed to the formation of modern-day ethical guidelines. Further, it also explains the various sources of ethics and contains more information on morality and how this plays a part in today's society and culture. Afterward, the case-specific scenarios have been answered and a conclusion has been included at the end. A very interesting topic, where no answers seem to be right or wrong because ethics heavily depends on the individual's background, life experiences, religious belief systems, and the family and friend's circle one is born into. So for this assignment, I have answered the five out of six questions related to the different case study scenarios. Each of the scenarios is referring to a different aspect of ethics such as ethics, values, and morals in general, then business ethics, what is right and wrong, corporate ethics, and touching also some aspects of corporate governance.

**Introduction**

To answer the case-related questions in this assignment it is important to get a good and fair understanding of business ethics and values. It is essential to understand the background of ethics itself and further how it relates to business ethics and values. Questions such as where do ethics come from, what are their origins and drivers, what different types exist, and how are they applied or lived.

Ethics goes a long way back in history, as far as to the 5<sup>th</sup> and 6<sup>th</sup> centuries BC. It forms a branch of philosophy that refers to putting concepts of right and wrong conduct into a systemized approach which is then defended and recommended accordingly. The branch of philosophy is called axiology and is focused on the study of value. As part of axiology, there are two study fields of value; ethics and aesthetics. Ethics attempts to reach answers to questions of human morality by applying the philosophical concepts into a place of right and wrong conduct. In other words what is good and what is evil, and what is justice and crime. Ethics comes from the Ancient Greek language and freely translated means to relate to one's character. It studies the universal values previously mentioned what is good and what is evil, what is the essential equality of all men and women, the human or natural rights, the concern for health and safety, and obedience of local and country laws. Most recently it also increasingly started to study the natural environmental aspect of it.

In the painting below from Raffaello Sanzio da Urbino that was painted between 1509 and 1511, the central piece depicts Plato and Aristotle holding their books which talk about ethics with different points of view. Much of the current ethics and values are derived from this time and these philosophers.



*Figure 1 – (The School of Athens – Sanzio da Urbino, 2020)*

In essence, five common sources of ethics are briefly described in the bullet point format along with different approaches:

1. **Utilitarian approach** – This can be simply translated into the result is the goal for this approach. It focuses on the largest benefits for the majority of people, even if they are achieved with socially unacceptable actions such as lies or excess force.
2. **Rights approach** – This approach focuses on the respect of human self-respect. It refers to the capability of choosing freely and for oneself on how to live our lives and to respect other people in the same way.
3. **Fairness or Justice approach** – This approach is all about fairness and justice. Simply explained is that any ethical action should treat all the people equally. In case they are not treated equally, then they should be based on a fair or just way. A great example is when an employee is higher paid than another, however, the higher paid employee is doing much more work, hence gets paid more. The key is as part of the fairness approach is required that all the people are treated consistently.
4. **Common Good approach** – In a poem from William Shakespeare called The Rape of Lucrece he calls out the very heart of this approach; “That one for all, or all for

one” is cited, which means that all the actions should consider everyone, the strong and the weak the wealthy and the poor, so the community can strive together for the common and greater good. It doesn’t focus on individuals but all. In today’s environment, it refers to things like a stable and affordable living, public safety, a fair and just legal system, a peaceful society.

5. **Virtue approach** – This approach talks about ethical actions that focus on the full development of human potential or in other words of our humanity. Moral plays here a great role and influences of a person’s choices and decisions. All eventually leading to values such as honesty, compassion, empathy, courage, love, integrity, fairness, and many more.

Further, we also want to understand what morality is and what it means. Morality is a structure or system that talks about the standards or principles that come from a source such as the code of conduct. It contains moral standards for behavior in terms of right or wrong behavior. Then it refers to moral responsibility that in turn talk about our conscience, and last about the moral identity that discusses if one is capable of right or wrong actions. As one can imagine morals are no scientific description, but rather they differ among different cultures and backgrounds. They can be dependent on the various situation a person finds himself. Also, they can be heavily influenced by the area, circle of people who you grow up with or religion you follow. These types of morals can be highly sensitive, whereas there are also more universal believes or morals that refer to killings or torture. Along with morality also comes the responsibility where each person in an organization is accountable and should be doing what is right and avoid what is wrong. In the majority of the cases, a well-established culture in a company dictates the importance of moral responsibilities. Those can be for example how employees treat each other or from a company’s perspective that it provides a workplace where its staff is operating in a safe and healthy environment. As with any responsibility, some issues are surrounding it and people might choose to do the “wrong” thing. Those can be summarized as ignorance of the issue itself, simply refusing to resolve an issue, choosing not to act upon a given threat, or just straight forward not being able to resolve an issue.

Nowadays business ethics play a crucial if not even the most important role in every organization. They are fundamentally the parts for the system of policies and guidelines by which a business along with its human capital is operating. That means in a fair, right, legal, and moral fashion. (Axiology, 2020, Business ethics, 2020, Business Ethics: Fair Business Policies Within Controversial Subjects, 2020, Ethics, 2020, Philosophy, 2020, Morality, 2020, PPT - Introductions to Ethics Rev. Slides 5-16, 2020, THE RAPE OF LUCRECE, 2020, The School of Athens, 2020)

### **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?**

For such a question there is essentially no right or wrong answer, but more likely a well-argued and rational point of view. First of all, it is crucial to understand what the motivation is for a person to still participate in a big corporate deal that is conducted via an auction to save the business, whereas at the same time the person is planning to wind up, meaning close or sell their business and wouldn't be honestly interested in saving the company itself. In my opinion, there is a personal interest of the company's owner to participate in a bid, potentially sell the company, under the pretentious plan to wind up the company, and then most probably leave it to its doomed destiny while taking some benefits or profits from the sale itself and leave it to its destiny. Personally, if I'm in such a situation I would make up my mind upfront of what my goal is with the business. And if I want to honestly sell the company to save its survival I would pick up the envelope that contains my competitor's bid in it and bring it closed to the auctioneer or controlling body of the

auction itself, then telling them that they need to make sure nobody is leaving such critical information so easily accessible and make sure they call it out in the open forum, so everyone is of the same understanding. Why would I do that? Because it's simply the right thing to do and there is no point in taking a sneak peek into the competitor's envelope. For a fact, it's anyhow probably a few more hours to go and it would potentially completely throw me off in terms of the bid I might see from the competitor. Imagine if you can simply just trust in the good of people and now worrying about if you go for lunch and during lunch realize that you left your bid in an envelope on the table. Deep inside of every person, the consciousness will take them over and make sure the right thing is done and not the wrong thing.

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

As described in the points a) above I would not open the competitor's bid in the envelope and instead focus on honestly informing the competitors about the status of the company and why I think it will survive if someone else it taking it over. I would offer my help by providing to be auction winner my insights and learnings from the past, so they can avoid any mishaps and instead focus on bringing the company back on track and into the profit lines.

**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.

**Questions**

Before we attempt to answer the questions a) through f) we want to learn more about workplace discrimination, what different forms of workplace discrimination exist, what affirmative action means, and also what is considered as workplace harassment. Discrimination,



in general, can be explained as the unequal or imbalanced treatment of different persons, particularly when one person is favored over another for various reasons such as sex, race, and origin, political beliefs, religious system, and many more. Essentially it does not consider the person's competence nor suitability for a given task, work, or position. Discrimination has never been ethical nor will or should it ever be considered ethical in any way. Also, it is illegal by law in many places. Further in the discrimination we also have the area that pertains to the workplace, called workplace discrimination. This is defined as the decisions that are made against a specific employee or a group of employees. It is not grounded on the logical attributes or skills an employee has, but rather based on some predefined notion or bias that eventually has a harmful or negative impact on the discriminated party. We can define four major areas or different forms of workplace discrimination as briefly listed below. Two of the forms talk about a person and two about the organization.

- **Isolated and Unintentional** – This is when a person unknowingly discriminates against another person.
- **Isolated and Intentional** – This is when a person knowingly discriminates another person.
- **Institutionalized and Unintentional** – This is when an organization unknowingly discriminates against other persons by established practices and procedures that harm.
- **Institutionalized and Intentional** – This is when an organization knowingly discriminates against other persons by establishing practices and procedures that harm.

Affirmative action is a set of principles or can also be even laws in some countries that are constituted to provide minorities and women equal chances in terms of employment or education. Governments can establish policies and laws to encourage the hiring of certain ethnic minority groups, a specific gender, age, race, origin, and various others.

Also, there is another category of discrimination and this is harassment at the workplace. They can be divided into two groups like sexual harassment and a hostile working environment. (DISCRIMINATION | meaning in the Cambridge English Dictionary, 2020, PPT - Ethics and Job Discrimination Rev. Slides 3-11, 2020)

**a) Should Marian quit?**

- a. No Marian should not quit. In most cases, there is never a reason or justification to immediately quit, without knowing the full chain of events that have occurred, and that led to such a reaction of the coworkers. If Marian would quit, this would just provide the satisfaction to the co-workers and the supervisor and might send a message out to any other woman trying to get into the same position.

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

- a. No, her co-workers are completely wrong in their evaluation. Reason being that even if the affirmative actions led eventually to the successful hiring of Marian for the job, that doesn't mean this is the sole reason. Affirmative actions are providing an equal opportunity platform to everyone, so in simple terms, everyone has the same opportunity and one group is not favored over the other. Also, Marian finished the corporation's management training program top in her group, and is performing above the norm in her position. This speaks for her and not the co-workers.

**c) Should Marian confront the co-workers?**

- a. Yes, constructive confrontation is the best pill against this disease called workplace discrimination and harassment. This would make the co-workers and the supervisor realize that even if they think that they're alone in the room, they, are not and other people are listening. By confronting the co-workers this might have a great positive effect on the whole situation going forward and the co-workers learn from this situation and that they should trust the performance of an employee.

**d) Should Marian file a discrimination suit?**

- a. As described in the previous point c) she should best directly confront them with the reality of things and openly speak about what has happened. Make the co-workers realize that they are doing something wrong and their unethical behavior

is creating a very toxic work environment. If this or similar situations occur in the future, then Marian should file a formal discrimination suite

**e) Should Marian go to the supervisor?**

- a. In my opinion, Marian, if possible, should directly approach all the co-workers and the supervisor at the moment when such a discrimination scenario is happening. There is no point in going only to the supervisor since he was part of it.

**f) What else could Marian do?**

- a. She could contact the HR department and get information and advice on how workplace discrimination and harassment are addressed in the company. Then she should follow the necessary steps to ensure corrective actions are taken.

**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.

## Questions

As part of the organization's ethics, there are three major concepts or theories. They can be categorized into three areas and have their characteristics as listed below:

- **Political organization** – This theory refers to a structure and system, where powerful forces are at play. The objective of individual persons' agenda is being followed and the organizations' effort to achieve its goal is secondary. Based on research it has been shown that employees working in a political organization have lower job satisfaction and perform less.
- **Rational organization** – This model of organization is based on a rationale where clear rules and practices are defined. There is a formal structure in place and allows the management to make rational and predictable decisions. It summarizes technically the business into a tool that is used to achieve predefined objectives. Furthermore, it also talks about obligations from and employee as well as from an employer perspective.
- **Caring organization** – This is a business that cares about its employees. The aim is to create a positive and proactive environment for everyone involved which is supported by the management and eventually is reflected as an integral part of the company's culture. (Organizational theory, 2020, PPT - Organization Ethics & Corp Governance Rev. Slides 3-10, 2020)

The rational organization pertains to this case scenario III and we will answer the questions accordingly.

### a) Was the suspension fair?

- a. We can see that this was not the first time that Joan had a warning resulting from her repeated absenteeism. It is described that she had various written and verbal warnings on this topic. In my opinion, the suspension is fair, considering her situation. However, it seems to be another goodwill from the employer to issue multiple warnings, and eventually, it ended only in a suspension. In a rational organization, there are certain obligations from the employee to the employer

such as arriving to work on time, working within an employer's policy and framework, refraining from harassment of others, and many more. All of these obligations should and must be followed by the employee and if they are not followed, then this might result in various actions from the side of the employer. It usually starts with warnings, followed by additional warnings, then suspension, and lastly to letting people go.

**b) Did Sylvia act responsibly?**

- a. In this case Sylvia did not act responsibly at all. She is very well aware of the various times that she's been absent from the workplace and has even gotten multiple written and verbal warnings. Understandably, the last-minute cancellation of a babysitter can happen at any given moment and it puts a lot of strain onto parents, especially when they don't have any other support. However, based on this scenario and considering the multiple warnings, it looks like Joan is taking her work or employer not very seriously. Even though the babysitter canceled with short notice, she didn't seem to be bothered to potentially find different solutions for the employer such as finding a replacement, offering to work late and catch up on work-related stuff or just coming in later in the day once a viable solution has been found. This type of behavior is considered irresponsible.

**c) Should Joan be fired?**

- a. I think it heavily depends on the country and the local laws applicable. Further, it also depends on how Sylvia wants to react to this type of behavior. If she has a team of a few key members and everyone is noticing that Joan is constantly absent, whereas the others are always making a big effort to show up at work on time, find a suitable replacement for similar situations like the one Joan is going through with the babysitter, etc. In short and per my opinion Sylvia would not be wrong even with firing Joan for such behavior. One would say that she cannot do this because Joan has a small kid to look after and that firing her would be an unethical act. The reality and the fact is that once again she didn't show up at

work and from an organization's perspective they have all the rights. The organizations' goal is to create value and profit and work sustainably. The roles and responsibilities are clearly defined for each of the employees, but some still choose not to follow or to ignore it. Such behavior should be punished, also to send a clear message to other co-workers, that such behavior won't be tolerated, regardless of the circumstances or a specific person.

**d) Should the babysitter be fired?**

- a. It heavily depends on the situation and if this has happened multiple times with the same babysitter. Maybe this was the first time that the babysitter had to cancel last minute and wasn't able to show up as initially agreed. Babysitting is not a fulltime job where a babysitter is having a full encompassing employment contract with the parents. Rather it is a small remuneration and on "paid as required" basis. If the babysitter is repeatedly canceling last minute, then Joan can replace the babysitter with another one. The important thing in any of such cases is to take the whole context and situation into account. Maybe the babysitter had a very important job interview to attend to, which was very long pending, and getting the job would assure the babysitter a proper job going forward, stable income, insurance, etc.

**e) Was Sylvia fair in her actions?**

- a. As already mentioned as part of point a) I think Sylvia acted very human to this situation and a suspension of 15 days is her way of telling that this is the very last warning. In case another similar absence is occurring, then Joan can be certain it won't result in "just" a suspension, rather in completely losing the job itself. Also, in this case, it's heavily dependent on the whole situation and if her other employees are in a similar situation, so suspending her for 15 days seems to be a very harsh reaction.

**f) Is there ever a solution for working mothers?**

- a. Yes, there is always a solution for working mothers, but it heavily depends on the type of job, the organization, and how flexible they are willing to be with working mothers, plus what the law is stating with regards to working mothers. One has to understand that there are always two sides to a coin or in other terms, there are always at least two different points of view for any situation. On one hand, the employer might want to create a workplace environment that is based on a lot of respect and freedom concerning mothers who work. They might be willing to take the extra time that mothers require and compensate for it differently. On the other hand, the employer might be very reluctant to find a suitable solution for working mothers and will completely go by the law and minimum requirements and put the company above its employees.
- g) Should working fathers take turns staying home?**
- a. In today's world, we can see more and more organizations caring for their workforce by establishing very favorable parental leave policies. This is at the core of gender equality and the shared responsibilities of parenting. The trend even goes so far that the more progressive and forward-looking companies are not only looking at parental leaves but also acknowledging that eldercare is as important as the childcare. According to a study by Mercer in 2016 globally, a majority of companies provide parental leave to their employees. In the below illustration we can see that Europe, the Middle East, and Africa are spearheading this with 72% followed by the Americas at 66% and the lowest percentage is at 62% for the Asia Pacific. (Family Care Leave Trends, 2020)

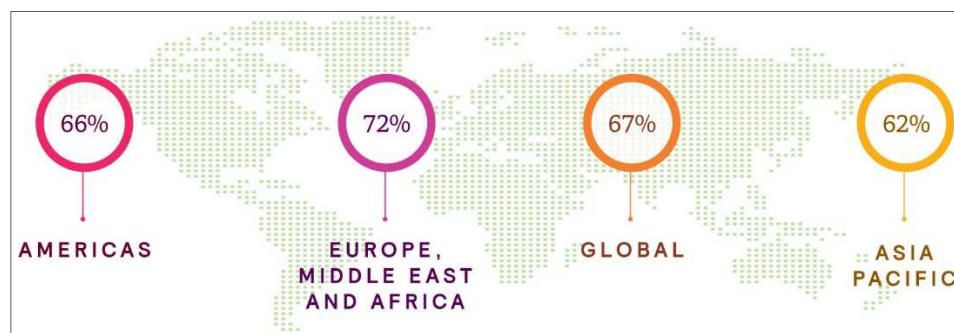


Figure 2 – (Parental leave family leave care trends percentage by companies, 2016)

**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.

## Questions

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

- a. Sandoz Ltd. made sure that Optifast 70 is available only via available prescriptions via doctors, hospitals, or medical clinics. Given this fact, the company is following, per my opinion, borderline ethical norms. Although their advertisement seems to be very strong and promising the company is making sure that an educated and official third parties such as doctors, hospitals, and medical clinics are deciding to start Optifast 70 or not. So it becomes a medically supervised diet. Besides they have even independently been endorsed by a celebrity called Oprah Winfrey. So basically the company along with its Optifast 70 product seems to be approved by official doctors and is more likely to get adaption in the wider field. However, based on an article in *Time* from 2012 it came out that Oprah Winfrey after going through the strict diet for months, started within a very short time to regain the weight. As soon as she started to include a regular food regimen she gained again 10 pounds. She had a so-called “Yo-yo effect” or rebound of a portion of the lost weight. I’m referring back to the initial statement and why I think it Sandoz is borderline ethical with Optifast 70. Every company is trying to sell their products and put them into the best light to promote them. This has been done by Sandoz pretty well, given that they have even drawn the attention of Oprah Winfrey. Sandoz got very lucky by being endorsed by Oprah Winfrey without them having to sponsor it, which resulted in high demand for Optifast 70. The problem, as also described in the *Time* article is that it is very dangerous that prescribed diets are endorsed by celebrities since many people look up to their celebrities and believe that whatever the celebrity does is always good or even the best. Hence they try it themselves and potentially end up in a worse situation, having hoped that they will lose a lot of weight, only later to realize, once the diet ends the majority of the weight loss will return and potentially

provide nourishing ground for self-doubt or depression. This is where the ethical norms come into play and are very difficult to defend. (Sifferlin, 2020, Yo-yo effect, 2020)

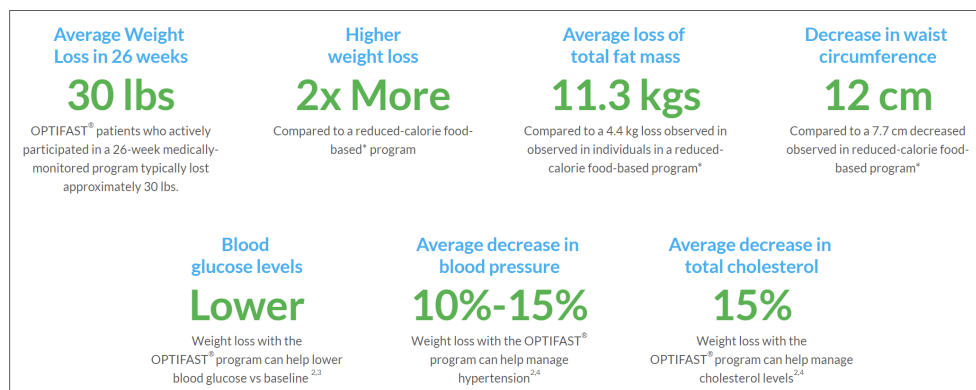
**b) Are liquid diet products ethical products? Justify your answer**

- a. To answer this it is important to understand that this question refers to the utilitarianism ethical theory. The utilitarianism theory, in essence, is focused on the outcome rather than looking into what is right or wrong in a case. The key to understand is that it focuses on the outcome of the greatest number of people for the greatest good. A straight forward example is when a country's military goes into war to protect the greatest number of people with the greatest outcome possible. Now that we understand what the utilitarianism ethical theory is, we can answer the question if liquid diet products are ethical or not. It's not the same as military forces using war to get an outcome, but with a liquid diet product, a company or business wants to achieve a quick and fast result. Based on various articles on the internet one of the most comprehensive can be found on healthline.com. Various studies have shown that liquid diet products, even if they require a prescription from a physician, are made for short-term results and short-term use. They are not meant to be used over an extended period and completely replace the solid food diet. There are several risks involved with it when blindly following a liquid food diet only and can result in health issues such as nutritional deficiencies or may lead to a greater risk of gallstones for some individuals. Given this fact, especially considering the long-term effect, liquid diet products might be accepted in the wider context, in my opinion, they are not ethical products. Everyone is only talking about the quick and fast outcome, in this case, weight loss, but completely disregards that when switching back to regular solid foods, the promised weight loss will be gone. Besides health issues that will follow later on are disregarded or just not being address in an appropriate for that would warn or at least inform a consumer with the long-term effects. (Are

Liquid Diets a Good Idea for Weight Loss?, 2020, Utilitarianism - Ethics Unwrapped, 2020)

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

- a. As per the Optifast website they are calling out the benefits in a bold fashion as any other business would do. They are focusing and advertising mainly the short-term benefits as per their website extract further below and as a centerpiece, there are green colored positive numbers that are associated with Optifast and there reference to further details made such as long-term outcomes. The long-term outcomes are in a different color, not as bold as the key call outs.



*Figure 3 – (Meet the OPTIFAST Program Overview, 2020)*

One of the key numbers that draw the attention of a potential customer is that on average Optifast patients typically lost 30 lbs throughout 26-weeks that is a medically-monitored program. Moreover, they are also comparing the results comparing to a reduced-calorie food-based program, which might not be a fair comparison given the timeframe of 26 weeks, especially since after the 26 weeks program customers slowly start with regular, solid food. It's not an apple with apple comparison. The company's moral responsibility is clearly on the facts that this should be explicitly called out as a short-term improvement and loss of weight along with the other factors. Post the 26-week program, when people switch back to the new normal they are starting

to gain weight again, which obviously to be covered from a legal perspective the company is mentioning in small letters and references, however, the benefits should not only be sold on the 26-week program, but rather on the continuous long-term health benefits, which after two years the average patients are putting on approximately 36% of their initial weight.

### **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.

### **Questions**

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

- a. In every organization, there is a potential for major organizational ethical concerns. The concerns can be categorized into four areas as listed below with brief descriptions:
  - i. **Conflict of interest** – This is when an individual party has a personal interest in a task or similar but is acting on behalf of the company, that most probably will have a different interest.
  - ii. **Employee/Employer theft** – This is when a person or organization is engaging in stealing or theft of something. That something might be in the form of company assets, such as money, intellectual property, etc.

- iii. **Offering or Taking Bribes** – This is when a person or organization is either offering or taking money or similar forms of value to either influence a decision or being influenced to decide for the bribing party.
- iv. **Insider Trading** – This is basically when two parties are trading back on additional information about the trade or purchase, which is not disclosed with other parties. It puts them into a place of advantage and knowing what the outcome or price will be before any other participating party.

In this scenario, we are faced with a conflict of interest since J.R. is overseeing the purchasing department of the University and has the authority to close deals. However, given the fact that there is a bidding policy of the University existing that most probably regulates how many different offers for comparison have to be gathered before any purchase, he has taken the decision and purchased the much more expensive computers from Tiddley Corporation instead. (PPT - Organization Ethics & Corp Governance Rev. Slides 11-16, 2020)

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

- a. No, it is not acceptable for a V.P. to bypass any established bidding policies that assure that the ethical guidelines and processes are being followed. In this case, we have a conflict of interest between J.R. and the University itself. J.R. wants to achieve extra benefit for his son Jim by purchasing the much higher priced laptops and assure him a healthy commission.

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

- a. No, the decision to bypass the existing bidding policy is in clear violation of the ethical concern of employee theft. By not going through the bidding process and spending much more money on the purchase of computers, J.R. is stealing company assets. J.R. is non-compliant with the company's internal processes and policies that might have legal consequences, depending on what type of certification they might have and have to follow accordingly.

**(d) What should the college purchasing agent do?**

- a. If Tiddley Corporation has an open culture based on ethics, trust, and honesty, the college purchasing agent will be raising the question to J.R. on why are they not considering other vendors that are much cheaper and provide the same or better service. Given the fact that in the past they have been following this policy and everything seemed to be fine, plus they have been able to stay in line with the cost. If Tiddley Corporation has not such an environment and is based on the autocratic decision and the policy is just a document for document sake, the employee will have potentially a more difficult time to take an ethical decision for himself. Depending on various factors such as confidence, job security, workplace culture his decision might get affected. Nonetheless, to act ethically correct the college purchasing agent should raise this concern directly with the purchasing head and if he doesn't get a logical and satisfactory answer, he should further escalate this to the company's head. In other words, this is called whistleblowing act, since he looks at the company's health, integrity, and sustainability versus individual benefits.

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

- a. If we look at it from a bit distanced point of view, potentially CCVU's owner might have an interest in this activity. Not from an unethical point of view and conflict of interest, but rather starting a new work relationship with a new vendor like Tiddley Corporation. Maybe there have been strategic discussions held between CCVU's owner and J.R. looking into the future, into the sustainability of CCVU for the next five years. I could imagine that if CCVU also goes for the cheapest vendor there is a risk associated with sticking with the cheapest one. It might be risk mitigation tactic to involve other vendors such as Tiddley Corporation or similar, that are more expensive, however, potentially might be more stable companies and CCVU wants to make sure a purchasing relationship is established and doesn't need to worry if all of a sudden a crisis or similar hits the market. As of today, we have globally a pandemic that was caused by a so-

called COVID-19 virus and put half of the planet into lockdown. This had a trickledown effect onto small businesses, which are usually cheaper in providing equipment, where the markets are getting into recession and most probably heading into a next large depression. Small companies will be forced into bankruptcy, dependent companies or Universities such as CCVU will have to reach out to larger corporations to purchase the equipment and that might lead to price hikes that are much worse than what is seen in the purchase of Tiddley Corporation's computers versus IBM ones.

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

- a. In my opinion, Tiddley's Cripple Creek franchise owner has not been wronged, because he made a sale of computers to a customer. Even though J.R.'s son might have been the reason for the sale, this is a very common practice at any workplace. You can easily refer to the following short example to illustrate that this is a very normal thing: when a very successful salesperson working for company A decides to change the company and moves eventually to company B, he will still maintain the contacts with the customers from company A and try to bring them over to the new company B. Company B will be happy that they have a new sales agent that brings new business, obviously as long as everything was done legally and not by stealing some information or intellectual property from company A that is not being used to shift the customers over to company B. This is essentially the reason why Tiddley's Cripple Creek franchise owner has not been wronged.

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

- a. Given the fact that Jim is the son of J.R. from a company's code of conduct and viewing things ethically correct, he should have raised this with the sales head. He should have informed the sales department head that his father is J.R. where this order came from and clarify if there is any company policy restricting such interactions or if he would just need to make sure everyone is well-enough informed by Jim, and the proper documentation is existing. In my opinion, Jim is

eligible to make the sale if following the company's policies and practices and hence should receive a commission. It comes back to the same reasoning as in the previous questions where a sales agent changes the company and starts shifting his customer base over from company A to company B.

**Conclusion**

Ethics, values, and morality are a very interesting subject to be discussed and to be answered based on short case studies. The important thing is to understand they are not a recent invention but have been engrained into the human mind from the very early days, as part of Ancient Greece and its philosophers. I would argue that it goes even further into history into the early times where basic communication started with the Homo sapiens. They might not have had an elaborate ethical system or anything documented, but most probably they had specific values that helped them stay within communities to establish their existence and survive year after year. Coming back to today's world, with the globalization, expansion, and interconnectedness taking place at work, home, friend's circles, and personal lives there is going to be a very difficult time shortly to have a common understanding of global ethics, values believe systems and morality. Many cultures are mixing amongst each other and the previously rigid ethical belief systems are starting to be adjusted and adapted slowly but surely. This is to cater to the greater good but trying the utmost to still consider individual freedom and belief system.



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## Figures



Figure 1 – (The School of Athens – Sanzio da Urbino, 2020)



Figure 2 – (Parental leave family leave care trends percentage by companies, 2016)



Figure 3 – (Meet the OPTIFAST Program Overview, 2020)