



**CAREER CLUSTER**  
Business Management and Administration

**INSTRUCTIONAL AREA**  
Financial Analysis / Emotional Intelligence

## **BUSINESS LAW AND ETHICS TEAM DECISION MAKING EVENT**

### **PARTICIPANT INSTRUCTIONS**

- The event will be presented to you through your reading of the General Performance Indicators, Specific Performance Indicators and Case Study Situation. You will have up to 30 minutes to review this information and prepare your presentation. You may make notes to use during your presentation.
- You will give an ID label to your adult assistant during the preparation time.
- You will have up to 10 minutes to make your presentation to the judge (you may have more than one judge), followed by up to 5 minutes to answer the judge's questions. All members of the team must participate in the presentation, as well as answer the questions.
- Turn in all of your notes and event materials when you have completed the event.

### **GENERAL PERFORMANCE INDICATORS**

- Communications skills—the ability to exchange information and ideas with others through writing, speaking, reading or listening
- Analytical skills—the ability to derive facts from data, findings from facts, conclusions from findings and recommendations from conclusions
- Production skills—the ability to take a concept from an idea and make it real
- Teamwork—the ability to be an effective member of a productive group
- Priorities/time management—the ability to determine priorities and manage time commitments
- Economic competencies

### **SPECIFIC PERFORMANCE INDICATORS**

- Discuss the role of ethics in finance.
- Explain the purpose and importance of credit.
- Explain the nature of customer relations.
- Demonstrate knowledge and understanding of ethical behavior within a business environment.
- Apply decision-making business principles and techniques to a situation with an ethical dilemma.
- Identify possible resolutions to an ethical dilemma.
- Explain the nature of managerial ethics.

## CASE STUDY SITUATION

You will assume the roles of front-end supervisors at a large discount retailer located in a small town in the northwestern United States. The store manager (judge) has asked you to prepare guidelines for ethical considerations of extending credit.

You are responsible for training and supervising all cashiers according to company policy. Your performance is measured by the store manager, your boss (judge), based on your ability to meet company-set goals in specific measures.

The fastest growing area of your business is credit card sales, as compared against cash, check or check-card sales. The store manager (judge) has directed you to “do whatever it takes” to help cashiers open up new credit card accounts at your store. He/she told you, “Customers not only buy more on credit, the new accounts make our store look good too!”

Since the credit card initiative was announced and your cashiers have been trained (nearly three months ago) your store has been a top performer, opening dozens of new accounts every day and increasing the average sale as well. The store manager (judge) has stopped several times to tell both of you what a wonderful job you are doing.

In preparation for your annual performance reviews with the store manager (judge), the two of you examined your department’s performance. You noticed that almost 20 percent of your new credit accounts were initially declined and then approved with a manager’s override. Only the store manager (judge) and the three assistant store managers have the authority to override declined credit applications. Your store manager (judge) has encouraged the use of generous credit as a way to hit sales and income goals, and ensure that you (and he/she) receive bonuses.

Upon further investigation, you discovered that these new accounts have very high limits. In fact, one new account holder who only makes \$20,000 annually was given a credit account with a \$14,000 limit. These customers are never told that their applications were initially declined, only that they have been approved. Many of those initially awarded a high credit line are already behind in payments.

The store manager (judge) has asked you to develop and present to him/her a set of operating guidelines for deciding whether or not to approve a previously declined credit application.

You should be prepared to discuss, and provide examples of, the following:

- How credit affects consumers
- How credit affects business
- Your proposed operating guidelines for overturning declined credit applications
- The ethical considerations involved in the implementation of your operational guidelines, specifically how your operational guidelines will affect consumers
- The impact of your operational guidelines on short- and long-term sales growth
- The impact of your operational guidelines on customer loyalty

You will present your guidelines to the store manager (judge) in a meeting to take place in the manager's (judge's) office. The manager (judge) will begin the meeting by greeting you and asking to hear your information. After you have presented your guidelines and have answered the manager's (judge's) questions, the manager (judge) will close the meeting by thanking you for your work.

## JUDGE'S INSTRUCTIONS

You are to assume the role of store manager at a large discount retailer located in a small town in the northwestern United States. You have asked your front-end supervisors (participant team) to prepare guidelines for ethical considerations of extending credit.

The front-end supervisors (participant team) are responsible for training and supervising all cashiers according to company policy. Their performance is measured by you based on their ability to meet company-set goals in specific measures.

The fastest growing area of your business is credit card sales, as compared against cash, check or check-card sales. You have directed the front-end supervisors (participant team) to "do whatever it takes" to help cashiers open up new credit card accounts at your store. You told them, "Customers not only buy more on credit, the new accounts make our store look good too!"

Since the credit card initiative was announced and your cashiers have been trained (nearly three months ago), your store has been a top performer, opening dozens of new accounts every day and increasing the average sale as well. You have stopped several times to tell the front-end supervisors (participant team) what a wonderful job they are doing.

In preparation for their annual performance reviews with you, the front-end supervisors (participant team) examined their department's performance. They noticed that almost 20 percent of the new credit accounts were initially declined and then approved with a manager's override. Only you and the three assistant store managers have the authority to override declined credit applications. You have encouraged the use of generous credit as a way to hit sales and income goals and to ensure that you and the front-end supervisors (participant team) receive bonuses.

Upon further investigation, the front-end supervisors (participant team) discovered that these new accounts have very high limits. In fact, one new account holder who only makes \$20,000 annually was given a credit account with a \$14,000 limit. These customers are never told that their applications were initially declined, only that they have been approved. Many of those initially awarded a high credit line are already behind in payments.

You have asked the front-end supervisors (participant team) to develop and present to you a set of operating guidelines for deciding whether or not to approve a previously declined credit application.

The supervisors (participants) should be prepared to discuss, and provide examples of, the following:

- How credit affects consumers
- How credit affects business
- Your proposed operating guidelines for overturning declined credit applications
- The ethical considerations involved in the implementation of their operational guidelines, specifically how the guidelines will affect consumers
- The impact of the operational guidelines on short- and long-term sales growth
- The impact of the operational guidelines on customer loyalty

The front-end supervisors (participant team) will present their guidelines to you in a meeting to take place in your office. You will begin the meeting by greeting the supervisors (participants) and asking to hear their information.

After the supervisors (participants) have presented their guidelines, you are to ask the following questions of each participant team:

1. Aren't we providing a service to our customers by providing them with credit so they can purchase the things they need?
2. What impact will your proposed operational guidelines have on sales?
3. Are generous credit approval practices in the company's best interests?

Once the front-end supervisors have answered your questions, you will conclude the meeting by thanking them for their work.

You are not to make any comments after the event is over except to thank the participants.

## Possible Solutions

1. Aren't we providing a service to our customers by providing them with credit so they can purchase the things they need?

Some solutions to this question may include the following:

- Yes, we are providing an immediate service, but in the long run these customers can't afford to pay off their debt, so not only will they have reduced purchasing power, they may end up filing bankruptcy.
- Yes, we are providing an immediate service to the customer, but to our company it will mean increased costs in write-off accounts due to their inability to pay the debt.
- No, offering consumers a loan that they can't afford to pay off puts them in a poor financial situation and does not create a sustainable relationship between them and the company.

In addition to these three solutions, there are many additional acceptable answers; however, the solutions MUST BE REALISTIC.

2. What impact will your proposed operational guidelines have on sales?

This question can be argued from both sides. Either answer may be acceptable, as long as the team provides substantial justification for their answer.

If participants propose **ending the practice of generous credit approvals**, answers may include:

- Immediately we will see a decrease in sales, as we are not opening the same number of credit accounts per week, but in the long term, the credit accounts we do open will be sustainable and produce better sales growth.
- In the short term, our sales will decline, but with the reduced costs associated with bad account write-offs, we will post higher earnings in the long run.

In addition to these solutions, there are many additional acceptable answers; however, the solutions MUST BE REALISTIC.

If participants propose **continuing the current practice of generous credit approvals**, answers may include:

- Immediately we will continue to see an increase in sales, as we will continue opening a high volume of credit accounts per week, but in the long term we may see a decline in sales as high-risk borrowers max-out their debt capacity, or even file bankruptcy.

In addition to this solution, there are many additional answers that are acceptable; however, the solutions MUST BE REALISTIC.

3. Are generous credit approval practices in the company's best interests?

This question can be argued from both sides. Either answer may be acceptable, as long as the team provides substantial justification for their answer.

If the team conclude that generous credit approval practices are NOT in the company's best interests, answers may include:

- The practice is deceptive to consumers, and causes them to spend more than they can afford. In the long run when customers can't pay their debts, these accounts may have to be written off as bad debts, and the customers may become disgruntled.
- The practice may affect the value of our stock negatively, as sales will be inflated during the short term, but will even out again as accounts retain high balances and eventually are written off as bad debts.

In addition to these solutions, there are many additional acceptable answers; however, the solutions MUST BE REALISTIC.

If the team concludes that generous credit approval practices ARE in the company's best interests, answers may include:

- The practice increases consumers' buying power, and that increases our sales.
- The practice creates happy customers for us, because they can purchase what they need now, without waiting.

In addition to these solutions, there are many additional acceptable answers; however, the solutions MUST BE REALISTIC.

## JUDGING THE PRESENTATION

Team members, assuming the role of a management team for the business represented, will analyze a case situation related to the chosen occupational area. The team will make decisions regarding the situation, and then make an oral presentation to the judge. The role of the judge is that of an executive for the business.

Participants will be evaluated according to the Evaluation Form.

Please place the name and identification number label on the Scantron sheet (unless it has already been done for you).

Participants will have a 30-minute preparation period and may make notes to use during the role-play.

During the first 10 minutes of the presentation (after introductions), the team will present their analysis, their decisions and the rationale behind the decisions. Allow the teams to complete this portion without interruption, unless you are asked to respond.

During the next 5 minutes, you may ask questions of the team to determine their understanding of the situation presented. Each member of each team should respond to at least one question. To ensure fairness, you must ask each team the same questions. After asking the standard questions, you may ask other questions for clarification specific to the current team.

After the questioning period, please thank the team and state that they will be notified of your decision soon. Then complete the Evaluation Form, making sure to record a score for all categories. The maximum score for the evaluation is 100 points. The presentation will be weighted at twice (2 times) the value of the exam scores.

A maximum score of “Exceeds Expectations” in any category means that, in your opinion, the information is presented effectively and creatively; nothing more could be expected of an employee.

A “Meets Expectations” rating means that the information is present well. Though there may be a few minor problems or omissions, they are not significant. Creativity, however, is not shown to any great degree. A combined total score of 70 or better on the written and presentation sections will earn the participant team DECA’s Certificate of Excellence at the international conference.

A “Below Expectations” score means that the information presented does not meet minimum standards of acceptability.

A “Little/No Value” score means either that some major flaw has been noted that damages the effectiveness of the presentation (this may be a major omission, a serious misstatement or any other major flaw) or that the information presented is of no value (does not help the presentation at all).

We hope you are impressed by the quality of the work of these potential managers. If you have any suggestions for improving the event, please mention them to your series director.

*We thank you for your help.*

**JUDGE'S EVALUATION FORM**  
**BLTDM**  
**STATE EVENT 2010**

<b>PERFORMANCE INDICATORS</b>	<b>Exceeds Expectations</b>	<b>Meets Expectations</b>	<b>Below Expectations</b>	<b>Little/No Value</b>	<b>Judged Score</b>
<b>DID THE PARTICIPANT:</b>					
<b>1. Discuss the role of ethics in finance?</b>	10-9	8-7	6-5-4	3-2-1-0	_____
<b>2. Explain the purpose and importance of credit?</b>	10-9	8-7	6-5-4	3-2-1-0	_____
<b>3. Explain the nature of customer relations?</b>	10-9	8-7	6-5-4	3-2-1-0	_____
<b>4. Demonstrate knowledge and understanding of ethical behavior within a business environment?</b>	10-9	8-7	6-5-4	3-2-1-0	_____
<b>5. Apply decision-making business principles and techniques to a situation with an ethical dilemma?</b>	10-9	8-7	6-5-4	3-2-1-0	_____
<b>6. Identify possible resolutions to an ethical dilemma?</b>	10-9	8-7	6-5-4	3-2-1-0	_____
<b>7. Explain the nature of managerial ethics?</b>	10-9	8-7	6-5-4	3-2-1-0	_____
<b>PRESENTATION</b>	<b>Exceeds Expectations</b>	<b>Meets Expectations</b>	<b>Below Expectations</b>	<b>Little/No Value</b>	<b>Judged Score</b>
<b>8. Clarity of expression</b>	6-5	4	3-2	1-0	_____
<b>9. Organization of ideas</b>	6-5	4	3-2	1-0	_____
<b>10. Showed evidence of mature judgment</b>	6-5	4	3-2	1-0	_____
<b>11. Effective participation of both team members</b>	6-5	4	3-2	1-0	_____
<b>12. Overall impression and responses to the judge's questions</b>	6-5	4	3-2	1-0	_____
				<b>TOTAL SCORE</b>	_____