

Ethics

Case Study: Your Star Salesperson Lied. Should He Get a Second Chance?

by Sandeep Puri

From the Magazine (September–October 2019)



Ryan Garcia

Siddhant's home, Thursday night
SIDDHANT'S HOME, THURSDAY NIGHT

Siddhant Kapoor rarely checked Facebook. As CEO of one of the largest pharmaceutical-marketing firms in Western India, he didn't have time for social media. But right now, he needed to log on.

He searched for the doctor's name—Parasaran Srinivasan—and recognized the first picture that popped up. Just as he'd thought, they'd gone to university together in Mumbai.

Looking at his old classmate's page, he groaned. The pictures of Parasaran at a recent World Cup party confirmed that one of Novacib Labs' top salespeople had falsified his sales report. Now he had to decide what to do about it.

NOVACIB HQ, THAT MORNING

Surprising News

Everyone at Novacib knew Siddhant hated getting emails with that little red exclamation mark. So when he saw both the red mark and the word "URGENT" in his in-box, his stomach dropped. The email was from Shraddha Pillai, Novacib's regional sales manager in the Mumbai office. She'd kept her message short:

"Need your advice on a potential ethical breach."

Siddhant canceled his next meeting and called her mobile.

"Tell me what's going on," he said when she picked up.

"I'm afraid we have an issue with one of our sales reports," Shraddha said carefully.

"What kind of issue?"

"It seems that Uday may have intentionally falsified some information about his customer calls."

"Uday?" Siddhant made no attempt to hide his surprise. Uday Madhav was one of Novacib's best salespeople. He routinely exceeded his targets by 10% to 20% and had earned the company's top commission prize three times in the past five years. And he was a generous colleague. He often took new salespeople under his wing, sharing sales tactics and handing off easy customers.

There was no doubt that the company's targets were ambitious.¹ Sales reps were required to meet with a minimum of 10 physicians and four retail pharmacies a day, allocating that time according to the potential of the target: 50% to platinum-class customers, 30% to gold, and 20% to silver. The regional sales managers worked closely with the reps to coach and support them—but Uday rarely needed Shraddha's help. In fact, he often served as a mentor to his more junior colleagues.

CASE STUDY CLASSROOM NOTES

¹ Research from the University of Arizona shows that sales goals can cause tunnel vision, leading people to make unethical choices to achieve their targets.

“Could there be some mistake?” Siddhant asked.

“It's possible. But I know how seriously you take ethical issues. I wanted to bring this to your attention right away.”

Five years earlier, when Siddhant had taken the helm at Novacib Labs, its founder and outgoing CEO had given him a mandate: grow the company by 40% and ensure that it remains the market leader. New competitors were popping up every day, vying to capitalize on the explosive growth in the Indian pharma industry.² Siddhant knew that to accomplish his goals, he needed to be laser-focused on strategy. And by all accounts, he'd been successful. During his tenure, the company's portfolio had grown from 22 brands to 46, and from 10 sales territories to most of Western India.

² From 2007 to 2012 the Indian pharmaceutical industry grew at a compounded annual growth rate of 15%. The rate then slowed for several years but was back up to 9.4% in 2018.

That success, he believed, rested on Novacib's new positioning—to customers and employees—as “the ethical pharmaceutical-marketing company.” Amid growing concerns that similar firms were bribing customers or overstating products' benefits, this stance distinguished Novacib.³ Siddhant and his leadership team had even changed the firm's tagline from “Health for everyone” to “Health with integrity.” Behaving ethically became part of Novacib's story, and all employees were encouraged to share it, especially during sales calls. And the tagline was more than a marketing slogan to Siddhant. He'd always prided himself on leading a principled life.

³ Harvard Business School professor Stephen A. Greyser advises that brand identities be straightforward, authentic, and timeless.

Shraddha was absolutely right that he would be concerned about false reports. To protect its reputation, Novacib had a zero-tolerance policy for ethics violations. But would sacking Uday really be in the best interest of the firm, Siddhant couldn't help but wonder? He had always made or exceeded his numbers—and boosted the performance of his colleagues as well.

“Siddhant?” Shraddha asked.

“I'm still here,” he said. “Tell me exactly what happened.”

“Something Doesn't Feel Right”

Shraddha recounted what she'd discovered the evening before.

“I was leaving the office last night,” she began, “when I got a text from Uday that said, *Baby still sick. Need to give wife a reprieve. I'll make up the visits next week.* Of course, I felt for him. I'd been in his shoes. The baby is just a few weeks old, and neither he nor his wife have slept much. He's still been hitting his quotas, but he looks exhausted.

“I decided to stay at the office to finish up my reports in case I had to cover his sales calls. And as I was looking over his activity, one date stood out: June 21. That was the day Argentina lost to Croatia in the World Cup.

“I remember it well, because I had followed the match online. Dates don’t typically stick in my mind, but that day was depressingly memorable, not just because my team lost but also because I watched the game by myself. My family—like most of Mumbai—had skipped work to watch together. I hadn’t wanted to get behind, so I spent the day alone in the office.

“I had spoken with Uday the morning of the game, and he mentioned that he was going to watch it. And yet his daily report listed the names of three doctors that he supposedly saw that afternoon. I texted him about the discrepancy—something like *Sorry to bother you with baby sick. Can you resend your activity report for the week of June 18?* Ten minutes later he emailed me the same information, so I texted again: *Are you sure that’s accurate?* He sent back a thumbs-up emoji.”

She paused. “Go on,” Siddhant said grimly.

“I’m not in the habit of tracking our salespeople’s whereabouts, especially in the case of Uday, who has always been a star performer.⁴ Normally, I’d give him the benefit of the doubt, but something didn’t feel right. I looked him up on Twitter⁵ and scrolled back to his tweets from June 21. He’d clearly been watching the game—at home. Then I tried one of the doctors on Uday’s report. Same thing: He’d been watching the game, too, not meeting with Uday. That’s when I started to panic.”

⁴Should Shraddha have kept a closer eye on her top performer?

5 What are the ethical implications of checking up on employees by tracking their activity on social media?

Siddhant was starting to panic as well. Trust was essential to the company's mission, and Uday's actions were exactly the kind of thing that could undercut Novacib's culture and reputation and breed resentment among employees. Siddhant recognized that Novacib was bound to encounter less-than-honest salespeople, but he was still having trouble believing that Uday would be the one to get into trouble first. At the same time, there was no denying his outsize contribution to the success of the firm—and how hard it would be to replace him.

Shocked and angry, Siddhant wondered to himself, *How could Uday have done this?*

NOVACIB HQ, FRIDAY MORNING

Now What?

The next day, Siddhant met with Bhavna Batra, Novacib's HR director, in his office. They dialed in Shraddha on speakerphone.

"This is bad," Siddhant began. "Last night, I confirmed another doctor listed on the report whom Uday couldn't have met with that afternoon."

"Shraddha and I had a conference call with him after she spoke with you," Bhavna said. "We asked him about the report, and he said he *had* met with the doctors he listed—but not on June 21. He all but admitted that he lied. I'm not seeing any option other than letting him go."

"I don't understand why he didn't tell anyone he was struggling," said Siddhant. "He's the first one to help his colleagues out; people would have jumped at the chance to return the favor."

“It’s definitely out of character for him,” Shraddha. “That’s why I feel strongly that we should issue a warning—especially with his being a new father. After all, he did meet with everyone he said he had. He wasn’t fabricating that.”⁶

⁶ Numerous studies show that people have an ethical “blind spot” when it comes to their own behavior.

“But he was altering the dates to meet his daily targets,” Bhavna countered, leaning toward the speakerphone. “That’s a serious breach, and we have to consider the broader impact of merely giving him a slap on the wrist.”

She looked up at Siddhant. “When you brought me in after the rebranding, you asked me to help you build a culture of ethics and honesty. I’d be failing at my job if I advised you to let a transgression like this go. I recognize the value of Uday to our team, but our motto isn’t ‘Health with occasional integrity.’ We have to *always* do the right thing.”⁷

⁷ How often do zero-tolerance policies result in bad outcomes? Do they force leaders to take action when a better solution could be found?

“I agree,” Siddhant said. “Integrity is our promise to every employee and every customer we interact with. If our people knew we tolerated this behavior after all the ethics training we’ve put them through, we’d look like hypocrites. We’d *be* hypocrites. And if this ever got out to our customers or the press, it could destroy our reputation.”

“But how are we going to look to the rest of the team when we sack their beloved colleague with a newborn at home?” Shraddha asked. “And he’s such a strong performer! Think of the revenue hit we’d

take. Are people actually going to care about three names listed for the wrong day on one weekly report?⁸ It's not as if those call targets are tied to his compensation."

⁸Small offenses may seem harmless, but research shows that they can breed problems by desensitizing our brains to the negative emotions related to unethical behavior.

"It's the principle of the thing," Bhavna retorted. "And how do we know if this is the first time he's fudged his reports? How can we trust him going forward? Are you going to check with his customers every week to confirm his reports?"

Shraddha was silent on the line. Siddhant closed his eyes briefly. He knew she was right that the company would suffer if they fired Uday. He brought in over \$250,000 a year, and he had built strong customer relationships that Novacib stood to lose if they sacked him.⁹ But Siddhant couldn't shake his disappointment in Uday. Bhavna broke the silence.

⁹What options should Siddhant consider besides firing Uday or overlooking the infraction?

"You've addressed this issue repeatedly in our sales offsites," she said. "You've stated in no uncertain terms that you'd rather salespeople not meet their targets than fake their numbers. If you don't take action, you'll damage your credibility. I know it's painful, but I think it's time to put your money where your mouth is."

NOVACIB HQ, FRIDAY AFTERNOON

A Second Chance?

"Thank you so much for the baby gift. Did you get the thank-you note my wife sent?" Uday's voice sounded tentative on the phone, the small talk forced.

Siddhant had dreaded making the call, but before he reached a decision, he wanted to talk with Uday himself.

“I did. Listen, Uday, I don’t want to make this any more awkward than it needs to be. I just want to hear your side of the story.”

Uday repeated what he’d told Shraddha: that he had met with those doctors, just on different dates. That he shouldn’t have submitted the false report. “I made a big mistake, and I’m sorry. I was feeling the pressure with the new baby. I knew I wasn’t going to hit my targets, and I didn’t want to disappoint anyone.”

Siddhant hated to hear Uday sound so dejected. But part of him still felt betrayed. He reminded himself that Uday could easily find another job, especially since Novacib had no intention of going public with the circumstances if they let him go. But Uday would be devastated nonetheless. “We need accurate data to grow this business, and we’ve been very clear about our ethics policy,” Siddhant said. “I wish you’d talked to Shraddha about the pressure.”

“I know, and I’d understand if you have to make an example of me. But please believe me that it has never happened before and won’t happen again. Don’t people deserve a second chance?”

Question: Should Siddhant fire Uday? The Experts Respond

Faiza Hughell is the vice president of sales at RingCentral.

UNFORTUNATELY, LEADERS MUST sometimes fire employees who cheat. In my 24 years of leading sales teams, I’ve seen plenty of people cheat to meet their targets. And I’ve had to fire people—even top performers like Uday—who were behaving dishonestly.

In this case, Siddhant and Shraddha appear to have fallen into a common trap: When someone is performing well, you don't always look under the hood. I tell my sales managers that they need to "trust but verify." This means double-checking reports and looking into any outliers. In a previous company I worked at, I had a sales rep who was knocking it out of the park. He was compensated on "meaningful interactions" with customers, which meant long calls. His phone log showed steady activity, but I noticed that he'd been taking a lot of breaks. I went by his desk to check in with him. He wasn't there, but his phone was off the hook, and when I picked it up, I realized he had called roadside assistance and been on hold for close to two hours to boost his talk time. I let him go immediately even though it was hard to lose a high performer. That kind of blatant dishonesty can't be tolerated.

Siddhant's dilemma is complicated by Uday's family situation, but it shouldn't be a consideration in his decision. I'm a mom, and my heart goes out to Uday, but a CEO's job is to protect the company. Siddhant can't let his emotions prevent him from doing his duty. That said, I would urge him to take a tempered approach and issue a formal written warning—not because it's best for Uday but because it's best for Novacib. There are two key factors he should take into account.

First, Uday's lie didn't affect his compensation. Had he earned a commission or bonus based on the false report, that would warrant termination. That is not the case here. Second, if Siddhant were to fire Uday, he might put the company at risk. Uday could pursue legal action, claiming that the company invaded his privacy by checking his social media accounts. A wrongful-termination lawsuit would damage the company's brand more than Uday's infraction could.

In my current role at RingCentral, I focus on building trust with our people. They know we have their backs, and we trust that they'll do what's in the best interest of the company. But I also do my homework. Even at my level, I block out an hour a week to look at the numbers, and if something stands out, I dig deeper.

Siddhant and Shraddha need to take a lesson from this as much as Uday does. You want to trust people and hope they'll do the right thing, but hope is not a management strategy.

Mohammed Isaquddin Kureshi is the managing director of Maha Research Labs.

UDAY DOES DESERVE a second chance. Siddhant shouldn't tolerate unethical behavior, but because Uday has acknowledged his wrongdoing and is an excellent performer, I think there is room for a compromise: a strong warning and the understanding that any more missteps—even minor ones—will be cause for dismissal.

This case is based on my experience at Maha Research Labs, where an employee deliberately included misinformation on a sales report. At the time, I was torn about how to handle the situation. He was one of our top performers and was about to have his first child. I knew firing him would have a devastating effect on his personal life.

To better inform my decision, I called a meeting with seven regional managers and two managers from HR. I presented the case as a hypothetical and asked them what they would do.

Four of the nine said that they would sack the person with three months' severance. They felt it was essential to demonstrate that the company took ethical violations seriously. They worried that keeping the person despite the infraction would set the wrong precedent and leave the door open for this salesperson—or others—to behave unethically.

The other five managers were concerned about the impact on the company of losing a top performer. They thought the best course of action would be to give him a warning and cancel his sales incentives for six months as a punishment. They suggested crafting a legal agreement stating that if he had any further infractions, he'd lose his

job, his bonus, and his retirement benefits. They also wanted to take advantage of the opportunity to ask him to sign a two-year employment contract against the risk that he might join a competitor, taking his customer relationships with him.

In the end, I went with the majority, and we issued a punishment and a written warning. In a different situation, I might have fired the person, but here I followed my heart, and I think I made the right decision. He was very grateful for the second chance and appreciated our not making an example of him. He assured me that he would be loyal to Maha Research Labs and promised to repay our faith in him during this crucial time in his life. And his performance over the past year has proved his commitment. He achieved 107% of his targets—a growth of 19% over the previous year. He has consistently ranked among the top 10 performers, and I’m planning to promote him in January.

That was not an easy decision to make, and I feel for Siddhant. He should consider consulting with other managers in the company, without divulging details about the situation. They might bring new insights to bear, and when he makes a decision—in this or future cases—he’ll have their buy-in.

Perhaps more important, Siddhant should reflect on whether he’s doing all he can to encourage ethical behavior. Does he include an ethics statement in job offer letters and in the employee handbook? Could he hold further trainings on ethical sales practices? And could he ask Uday to lead those? There is no doubt that Uday violated trust here, and he has to take responsibility for his actions. But Siddhant also needs to do better at setting a high ethical standard and holding people to it.

HBR’s fictionalized case studies present problems faced by leaders in real companies and offer solutions from experts.

A version of this article appeared in the September–October 2019 issue of *Harvard Business Review*.

Sandeep Puri is an associate professor at the Asian Institute of Management, in the Philippines.