1/19/2016

**Homework 1­­ ­­­- PrimeDrive Case *(25 points)***

First, form teams of 3-4 students (by professor discretion) and then team members will determine which individuals will work on the seven questions below. Document the names of your individual team members and provide a brief summary of the key points from your discussions about the PrimeDrive case, which is summarized in the accompanying document.

**Group 6 Team Members: Jessica Hoffman, Mariah Skeeters, Felisha Stanley, Aaron Timberlake, Grant Holloway**

Your responses must address each of the following requirements and are valued per the points as noted in parenthesis:

1. Identify in a couple of sentences the “ethical dilemma” (or ethical question) inherent in the *PrimeDrive Case*. Pose an open-ended question that generates many possible answers, not just a question that can be simply answered with a “yes” or “no” response. *(1 point)*

The self-appointed, new CEO of PrimeDrive (Granger Stokes), made excessively high demands, and was determined to fire anyone who could not meet them. An accountant (Keri Kalani) working for the production manager of PrimeDrive discovers that her boss is knowingly re-shipping defective products that were returned from the customers. The production manager believes if he does not do this, he will be fired for not meeting the goals imposed on him. PrimeDrive is faced with more than one ethical dilemma in this scenario. The main concern of the production manager is reaching a 40% sales volume increase. Is it acceptable to send defective products to customers in order to meet Stokes’ demands and keep his job? Is it wrong for Keri Kalani to let this happen, or should she tell the CEO and cause her boss to be fired?

1. Identify in a couple of sentences the specific information technology (I.T) components (hardware, applications, operating systems, networks, databases) that create the special circumstances in the Case selected. *(2 points)*

The main IT component given in the PrimeDrive case is hardware, the computer disk drives/ hard drives that the company manufactures and sells as their product. The issue is that some of them are physically damaged and unusable, and the customers send them back to PrimeDrive. The production manager is then reissuing the defective disk drives into new cases so they don’t have to record them as inventory lost. There is also an underlying assumption that the accountant has used some sort of software program to calculate that there is a 15% increase in the volume of returns of the TRX Drives, which then leads to her discovery of the production manager’s activity.

1. List four *critical* stakeholders in the selected Case and identify an important “right” for each of them. *(4 points)*

**Granger Stokes** – As a CEO, he has a right to know when his employees are changing protocol and possibly sabotaging his company. Has a right to impose any goals to increase PrimeDrive’s and achieve competitive advantage in the market.

**PrimeDrive Customers** – PrimeDrive customers have a right to receive non-defective products and to return these products if they are defective. They are trusting PrimeDrive with their money and need these products to arrive quickly, intact, and functioning.

**The Accountant (Keri Kalani)** – She has a right to make a decision about whether or not to escalate the issue and tell somebody about her discoveries. She has a right to protect herself since she could get fired for signing off on false books.

**Production Manager (accountant’s boss)** – He has the right to try to keep his job and meet the goals imposed upon him by any means necessary, especially when his boss is making impossible demands.

1. List and describe four alternative courses of action that may be taken and determine the likely consequences (goods, bads, uglies) of each of the proposed actions. This should be a key focus of your analysis. It might be appropriate to consider a “do nothing” alternative (not necessarily the “right” choice) in your initial course of action. *(6 points)*

**Do Nothing** – The accountant can choose to do nothing with this newfound information. She can push her findings to the side and allow her boss and the production department to continue putting defective disk drives into the new units. This way, the CEO thinks his demands are currently being met, and her boss gets to keep his job. This would result in the accountant’s boss keeping his job, but the rights of the CEO and customers would suffer. The accountant could be considered an accomplice if someone finds out that she was aware of her boss’s actions. PrimeDrive is certain to face a higher return rate of the defective products, possibly bad customer reviews, and if it ever became public, it would tarnish the company’s name.

**Escalate the Situation (tell the CEO)** – The accountant could escalate the issue to someone above her boss (e.g. the CEO) about the production manager’s actions. The company could put a stop to the production manager’s unethical procedures and begin discarding defective units. This coincides with the CEO’s right to know what’s going on in his company. Also, the customers would begin receiving less defective products since the CEO would keep an eye on it. The production manager may lose his job, and the accountant would be freed of any association with the incident.

**Granger Stokes may like the reports anyway** – Even if the CEO finds out about this unethical behavior, he may not care that the customers are receiving defective parts. If he is greedy, he will let this continue to happen because it makes PrimeDrive look good on financial statements. This would directly violate the rights of his customers, but the accountant’s boss could keep his job. He may fire the accountant because she knows too much.

**Fix the problem –** PrimeDrive could try to gain a higher competitive advantage and look at their product to determine what flaw is causing these disk drives to be defective. They could try to improve the product to eliminate the initial return rate, which in turn would result in a better product. More cost goes into this alternative because they would have to analyze the current product and invest in improvement, as well as increase quality control.

1. From a deontological perspective, which action from item 4) above is morally right? Explain in a few sentences how you would prioritize the competing or possibly conflicting rights of each of the stakeholders. *(3 points)*

From a deontological perspective, the moral thing to do would be for the accountant to notify someone higher up about the production manager’s actions. This would be in the best interest of the PrimeDrive (Granger Stokes), their customers, and her job as well. This option focuses more on the maxima of whether or not providing defective parts could become universal to increase sales volume (it cannot). If everyone sold defective products, we would have a horrible market. It is the company’s duty to distribute goods justly without knowingly deceiving their customers. This would be bad for the production manager because he would most likely lose his job. Monitoring the quality of their products could result in layoffs because of the increased cost in quality control.

1. From a teleological perspective, which action from item 4) above is morally right? Explain in a few sentences the “moral calculus” or present a cost/benefit analysis. Detail why the action maximizes social welfare. *(3 points)*

Overall, fixing the problem and having a completely flawless product would generate the most good for the most people. Ultimately, by having a flawless product, the customers are getting the best product possible, which promotes the general good. It could also have a positive long term effect on PrimeDrive by achieving the competitive advantage of enhanced products and services. This action maximizes social welfare because all PrimeDrive customers and employees would benefit if the defective products no longer were a problem. However, this will not help PrimeDrive meet the 40% increase in sales volume because it would add more cost short term. The production manager may even be able to keep his job. These benefits outweigh the costs of increasing quality control and auditing internal financial reports to make sure no false reports are created in the future.

1. In a few sentences, describe **your** normative recommendation for the *PrimeDrive Case*. Explain what actions you would recommend or suggest to help resolve the ethical dilemma or issue. Explain the basis of your “normative” recommendation, which should be one of the four alternatives above or some combination thereof. Be creative! Note that this response of the Case Report is also a key focus. Please do not cut this discussion short! *(6 points)*

PrimeDrive should first address the issue of their defective disk drives and discard them. The production manager should be terminated because his actions jeopardize the company by his unethical business practice, and he is the only stakeholder exhibiting ethical egoism. He never planned on finding a solution to the defective products, nor look for a different alternative to reaching Stokes’ goal. He may have only stopped if he was caught.

I would recommend PrimeDrive to discard any returned, defective units and continue installing the new disk drives. Additionally, I would recommend that they analyze their product to find a way to improve the flaws and defects of the disk drives. As a result, they will be creating a better product and more people would want to buy it. This recommendation combines the teleological and deontological perspectives on the moral thing to do. This is because the deontological standpoint demands that a decision be made based on intentions, not possible outcomes; the deontological decision here would be for the accountant to notify someone higher up than the production manager and get him fired for his unethical business practice. The teleological standpoint promotes the best balance of “net good” that benefits the biggest amount of people. This would be a result of fixing their products, which would increase customer satisfaction and let everyone keep their job. Here, we prescribe both of these actions in order to fully address the ethical issue presented in the PrimeDrive case.

Follow the instructions provided in the ***Submit Work Here*** folder for submitting these two pages for grading purposes.