3weeks from now Due 10/26/15

BUSINESS LAW 201
ETHICS MODULE
FALL 2015/16
PROFESSOR SHER

Welcome to the ETHICS MODULE. To fulfill this requirement you will need to consider the consequences of acting ethically or unethically. Carefully read the accompanying material. You can and MUST answer all the necessary components of the problem USING THIS HANDOUT and your brain. You must discuss fully the ethical issues related to the problem. To do this you must: **(1) categorize the applicable ethical dilemma(s) (there will always be more than one) of the main characters in the case; (2) identify other characters who may have ethical dilemmas in this problem; (3) describe any possible** excuses → **rationalizations; (4) using the Ethics Models (use more than one), resolve the situation in the problem. Do (1), (3) and (4) for each of the different characters that you have identified.** This is NOT an exercise in what YOU think is ethical. We will discuss that in class. This exercise helps you to learn how to identify and possibly resolve different ethics problems. USE THE HANDOUT MATERIAL FOR THIS PAPER!

Your answer must be typed, DOUBLE OR TRIPLE SPACED, at least 1200 words in length (but not too much over 1500 words). Please include a WORD COUNT. I do not count long introductions or summaries of the problem as part of the word count. I will deduct these from your count!! So, no long intros!

YOU MUST TURN IT IN HARD COPY AND ON-LINE THROUGH TURN-IT-IN!

The ETHICS MODULE will count as an exam question toward your final grade. This will be further explained in class.

If you do not know the definition of any word in these instructions or the handout, LOOK IT UP!

The Case

J. Buffalo Corp. manufactures and sells farm equipment. In 2010, J. Buffalo set up a wholly-owned subsidiary, Great Plains Combines, Inc., whose only business was to market J. Buffalo's self-propelled combines and four-wheel-drive tractors. The sales of both products were at an all-time low. Even though J. Buffalo was the owner of Great Plains, the law considers them to be separate companies. J. Buffalo convinced current and former employees who were involved with the products to accept transfers of their jobs and retirement benefits plans from J. Buffalo to Great Plains. J. Buffalo expected Great Plains to fail, and indeed, within two years, Great Plains did fail. Among other consequences, the retirement plan for current employees was terminated, plus the retirees stopped receiving benefits as well. Discuss the ethical issues by using the guidelines stated above.

• 12 ethics dilemmas

ETHICS READING
From
Business: Its Legal, Ethical, and Global Environment
By Marianne M. Jennings (2006)

WHAT ARE THE CATEGORIES OF ETHICAL DILEMMAS?

Regardless of the root or source of a company's or individual's ethical standards, certain categories of conduct involve ethical issues. The following twelve categories were developed and listed in *Exchange*, the magazine of the Brigham Young University School of Business.

Taking Things That Don't Belong to You

Everything from the unauthorized use of the Pitney-Bowes postage meter at your office for mailing personal letters to exaggerations on travel expenses to the downloading of music from the Internet without authorization belongs in this category of ethical violations. Using someone else's property without permission or taking property under false pretenses still means taking something that does not belong to you. A CFO (chief financial officer) of a large electric utility reported that, after taking a cab from LaGuardia International Airport to his midtown Manhattan hotel, he asked for a receipt. The cab driver handed him a full book of blank receipts and drove away. Apparently, the problem of accurately reporting travel expenses involves more than just employees.

Saying Things You Know Are Not True

A salesperson who tells a potential customer that a product carries a "money-back guarantee" when the salesperson knows that only an exchange is possible has said something that is not true, committed an ethical breach and possibly a violation of the law, and misled the customer. If a car dealer assures a customer that a car has not been in an accident and it has, an ethical breach has occurred. If a homeowner tells a buyer that a home has all copper plumbing in order to ensure a sale, and the home has plastic plumbing in some parts, that is an ethical breach too.

ETHICAL ISSUES

Actress Demi Moore starred in the 1995 movie entitled *The Scarlet Letter*, which was based on Nathaniel Hawthorne's book of the same ne. Hollywood Pictures ran the following quote from *ime* magazine review: "'Scarlet Letter' Gets What It vays Needed: Demi Moore." The actual review by e magazine read: "Stuffy old *Scarlet Letter* (1995) gets at it always needed: Demi Moore and a happier end-" A *Time* spokesman noted that the statement was rly ironic. In the same review, the *Time* critic, Richard liss, referred to the movie as "revisionist slog" and e it an F.

An ad for the 1995 movie *Seven* quoted *Entertainment kly* as calling it a "masterpiece." The actual review l, "The credits sequence . . . is a small masterpiece of ıentia."

Ads for the movie *Thirteen Days* (2000), which is a de-on of the thirteen-day Cuban missile crisis during Kennedy administration, included the descriptive ses "by-the-numbers recreation" and "Close to per- in order to reflect what the producers saw as the ıgth of the film—its historical accuracy.

However, the ads included pictures of the Spruance-class destroyer and F-15 jet fighters. Neither of these defense systems was available in 1962, the time setting of the movie. These systems were not developed until the 1970s. Also, the movie ads showed the star, Kevin Costner, walking with the actors who played John and Robert Kennedy; that scene depicted in the ads is not part of the movie.

The movie studios pulled the ads after they had run for one weekend.

Ads by Sony studios had theater critic David Manning proclaim that *The Animal* (2001), starring Rob Scheider and ex-*Survivor* participant Colleen Haskell, was "another winner." Mr. Manning also gave a favorable review of Sony's *A Knight's Tale* (2001). However, David Manning is fictitious, a made-up critic created by marketing staff at Sony.

A movie industry observer stated in response to these examples, "The practice of fudging critics' quotes [in ads] is common."

Is the practice of fudging quotes ethical? Are some of these examples violations of any of the categories of ethical breaches?

Giving or Allowing False Impressions

An urban legend that has circulated among marketing departments around the country is the story of an infomercial ad that offered two CDs with all the hits of the 1980s on them. The infomercial emphasized over and over again, "All songs by original artists." Even the CDs carried the line, "All songs by original artists." When purchasers read the label with a closer eye and listened to the CDs, they discovered that all the songs were performed by one group, a group called "The Original Artists." While technically true, the advertising left a false impression with customers who assumed they would be buying songs as performed by the recording artists who made the songs popular.

Buying Influence or Engaging in Conflict of Interest

A company awards a construction contract to a firm owned by the father of the state attorney general while the state attorney general's office is investigating that company. A county administrator responsible for awarding the construction contract for a baseball stadium accepts from contractors interested in bidding on the project paid travel around the country to other stadiums that the contractors have built. The wife of a state attorney general accepts trading advice from the corporate attorney for a highly regulated company and subsequently earns, in her first foray into the market, over $100,000 in cattle futures.

All of these examples illustrate conflicts of interest. Those involved in situations such as these often protest, "But I would never allow that to influence me." That they have to insist they are not or would not be influenced is evidence of the conflict. Whether the conflict can or will influence those it touches is not the issue, for neither party can prove conclusively that a *quid pro quo* was not intended. The possibility exists, and it creates suspicion.

CONSIDER... 2.2

Barbara Walters, as part of a Friday evening ABC television *20/20* news program broadcast, did a profile of Sir Andrew Lloyd Webber as a timely review of his career on the eve of the opening of his then-new Broadway play, *Sunset Boulevard*. The piece was very flattering to Mr. Webber and his work. On Monday morning, one of the New York papers revealed that Ms. Walters had a $100,000 investment in *Sunset Boulevard*. ABC issued an apology for not disclosing the information. Why should the information have been disclosed? Do you think disclosure is enough, or should Ms. Walters have removed herself from the story? Later, when *20/20* profiled Jerry Springer and *The Jerry Springer Show*, Ms. Walters announced that her daytime show, *The View*, competed with Mr. Springer's show but that she had no role in the production or content of the piece. Why did she make this disclosure?

Steps for Analyzing Ethical Dilemmas and Case Studies in Business

1. Make sure you have a grasp of all the available facts.
2. List any information you would like to have but don't and what assumptions you would have to make, if any, in resolving the dilemma.
3. Take each person involved in the dilemma and list the concerns they face or might have. Be sure to consider the impact on those not specifically mentioned in the case. For example, product safety issues don't involve just engineers' careers and company profits; shareholders, customers, customers' families, and even communities supported by the business are affected by a business decision on what to do about a product and its safety issue.

continued

deficiencies in the system; yet just one person cheating can send ripples through an entire system. The credibility of grades and the institution come into question as students obtain grades through means beyond the system's standards. As we see events unfold in China, Italy, and Brazil, with government employees awarding contracts and rights to do business on the basis of payments rather than on the merits of a given company or its proposal, we understand how such bribery only results in greater unfairness within and greater costs to those countries. Many economists have noted that a country's businesses and economy will not progress without some fundamental assurance of trust.

"I Was Just Following Orders"

In many criminal trials and disputes over responsibility and liability, managers disclaim their responsibility by stating, "I was just following orders." There are times when individuals cannot follow the directions of supervisors, for they have been asked to do something illegal or immoral. Judges who preside over the criminal trials of war criminals often remind defendants that an order is not necessarily legal or moral. Values require us to question or depart from orders when others will be harmed or wronged. When the allegations of prisoner abuse in Iraq emerged, along with photos, one of the first defenses raised by lawyers for the soldiers being court-martialed for their role in the abuses was, "I was just following orders." Sometimes following orders is not the ethical thing to do.

"Everybody Else Does It"

When 15-year-old Jonathan Lebed was caught using many different screen names to post notices about the value of stocks he had purchased so that he could pump up their value and then sell them (pump and dump—see Chapters 8 and 22 for more details), he had made over $800,000 by taking advantage of others who believed the false notices posted. His father said that he was proud of his son because his son was doing what all the other analysts and investment firms on Wall Street were doing. "Everybody else does it" is a rationalization, but it is not an analysis of the ethical issues involved in conduct.

ETHICAL ISSUES

Since the time of his computer scam, Jonathan Lebed has finished high school, had a book written about him, appeared on *60 Minutes*, and is negotiating for the movie rights for the book. He also has his own Web site for his favorite stock picks, http://www.lebed.biz/. Mr. Lebed drives a $40,000 Mercedes. Does his experience tell you that adhering to ethics doesn't pay? Are there greater rewards for being unethical?

CHECK THE WEB

When an example is used of an individual or company, always check the Web updates because there will be information about how the company is doing and what has happened to the individual since the time of the examples in the book.

"If We Don't Do It, Someone Else Will"

The rationalization of competition is that since someone will do it and make money, it might as well be us. For Halloween 1994, O. J. Simpson masks and plastic knives and Nicole Brown Simpson masks and costumes complete with slashes and bloodstains were offered for sale. When Nicole Simpson's family objected to this violation of the basic standard of decency, a costume-shop owner commented that if he didn't sell the items, someone down the street would. While nothing about the marketing of the costumes was illegal, ethical issues abound surrounding earning a profit from an event as heinous as the brutal murder of a young mother.

CONSIDER... 2.5

Refer to the materials on companies on the Web site exercise for this chapter and read through their discussion of the issues, such as the environment, animal testing, and diversity. Do you see analysis of the ethical issues or do you see rationalization?

"That's the Way It Has Always Been Done"

Corporate or business history and business practices are not always sound. The fact that for years nothing has changed in a firm may indicate the need for change and an atmosphere that invites possible ethical violations. For example, until the Securities and Exchange Commission required corporate boards of directors compensation committees to make reports and to disclose the identities of their members, the sitting members of many of these committees had conflicts of interest. For example, a senior partner of a law firm who represented a given corporation often sat on that client's board and on its compensation committee. The result was that a lawyer whose firm was economically dependent on the corporation as a client was making salary determinations for the corporation's officers, who, of course, made the decisions about which law firm would represent their company. A conflict of interest existed, but everybody was doing it, and corporations had always been governed that way. Again, unquestioning adherence to a pattern of practice or behavior often indicates an underlying ethical dilemma.

Recently, with the failures of many dot-coms that did not follow time-tested guidelines for corporate structure, the issues of conflicts and sound practices have been raised. For example, Jeff Dachis, when questioned about why he had no outsiders on the board of Razorfish, the company he founded, responded, "I control 10 percent of the company. What's good for me is good for all shareholders. Management isn't screwing up. We've created enormous shareholder value." The company's stock premiered at $56 in June 1999 and by May 2001 was at $1.11 per share after revealing multimillion-dollar losses for 2000. Mr. Dachis was replaced as CEO in 2000, and the company added three outsiders to its board following the announcement of the losses. Razorfish and Mr. Dachis simply followed the patterns of the time, which included few or no outsiders on the board and a lack of independence on the board. While these practices may have followed what everyone was doing and the way they had always done things, they were not the best practices in keeping conflicts in check and in managing the company. For more discussion of board independence, see Chapter 21.

"We'll Wait until the Lawyers Tell Us It's Wrong"

Lawyers are trained to provide only the parameters of the law. In many situations, they offer an opinion that is correct in that it does not violate the law. Whether the conduct they have judged as legal is also ethical is a different question. Allowing law and lawyers to control a firm's destiny ignores the opportunity to make wise and ethical choices. For example, lawyers disagreed over whether the downloading of music over the Internet was a violation of copyright law. However, whether the downloading was legal does not answer the question of whether gaining access to and using someone else's intellectual property without permission or compensation were ethical.

"It Doesn't Really Hurt Anyone"

When we are the sole rubberneckers on the freeway, traffic remains unaffected. But if everyone rubbernecks, we have a traffic jam. If all of us made poor ethical choices, we would cause significant harm. A man interviewed after he was arrested for defrauding insurance companies through staged auto accidents remarked, "It didn't really hurt anyone. Insurance companies can afford it." The second part of his statement is accurate. The insurance companies can afford it—but not without cost to someone else. Such fraud harms all of us because we must pay higher premiums to allow insurers to absorb the costs of investigating and paying for fraudulent claims.

"The System Is Unfair"

Often touted by students as a justification for cheating on exams, this rationalization eases our consciences by telling us we are cheating only to make up for (no relation to Ms. Stewart), a forensics laboratory director and head of the U.S. Secret Service's forensics lab, with perjury. Mr. Stewart testified that he was directly involved in running the tests on ink used in documents prepared by Ms. Stewart's broker. In fact, he had not run the tests. Headlines read, "Witness in Martha Stewart Trial Charged with Perjury"[1] and "Could Martha Have a Get-out-of-Jail Card?"[2] Condensing conduct into a single phrase often gives a harsh dose of reality as well as an indication of consequences. In this case, the witness faced a criminal trial and a conviction was in jeopardy. This front-page-of-the-newspaper test helps with the analysis of ethical dilemmas by thinking through the consequences of a decision to act in a certain way.

When Salomon Brothers illegally cornered the U.S. government's bond market, the *Business Week* headline read, "How Bad Will It Get?"; nearly two years later, a follow-up story on Salomon's crisis strategy was headlined, "The Bomb Shelter That Salomon Built." During the aftermath of the bond market scandal, the interim chairman of Salomon, Warren Buffett, told employees, "Contemplating any business act, an employee should ask himself whether he would be willing to see it immediately described by an informed and critical reporter on the front page of his local paper, there to be read by his spouse, children, and friends. At Salomon we simply want no part of any activities that pass legal tests but that we, as citizens, would find offensive."[3]

Laura Nash and Perspective

Business ethicist Laura Nash has developed a series of questions that business managers should ask themselves as they evaluate their ethical dilemmas. One of the questions is, "How would I view the issue if I stood on the other side of the fence?" For example, in 1993, federal guidelines required meat to be cooked at 140 degrees Fahrenheit. At that time, however, Washington state proposed imposing a higher temperature requirement of 155 degrees. Burger King cooked its hamburgers at 160 degrees and Wendy's, Hardee's, and Taco Bell cooked their meat at 165 degrees.

Health and food industries experts supported a minimum cooking temperature of 155 degrees to be certain *E. coli* bacteria are eliminated. Jack-in-the-Box followed the legal minimum of 140 degrees. Would you want that information as a consumer? Given the trend toward higher temperatures and the pending regulation, would you want your meat cooked at a higher temperature? Although the cooking temperature was legal, there was an ethical issue of continuing to follow only the law when health experts felt there were concerns. Jack-in-the-Box did, in fact, experience an *E. coli* outbreak: one child died and three hundred other customers became ill.[4]

Other questions in the Nash model include: "Am I able to discuss my decision with my family, friends, and those closest to me?" "What am I trying to accomplish with my decision?" "Will I feel as comfortable about my decision over time as I do today?" The Nash model forces managers to seek additional perspectives as decisions are evaluated and implemented. For example, when William Aramony served as the CEO of United Way, he enjoyed such perks as an annual salary of close to $400,000, flights on the Concorde, and limousine service. Even though these benefits were about the same as those of other CEOs managing comparable assets, it would still be difficult to justify such benefits to a donor who earns $12,000 a year and has pledged 5 percent of it to United Way.

The *Wall Street Journal* Model

The *Wall Street Journal* model for resolution of ethical dilemmas consists of compliance, contribution, and consequences. Like the Blanchard–Peale model, any proposed conduct must first be in compliance with the law. The next step requires an evaluation of a decision's contributions to the shareholders, the employees, the community, and the customers. For example, furniture manufacturer Herman Miller decided both to invest in equipment that would exceed the requirements for compliance with the 1990 Clean Air Act and to refrain from using rainforest woods in producing its signature Eames chair. The decision was costly to the shareholders at first, but ultimately they, the community, and customers enjoyed the benefits.

Explore the 1990 Clean Air Act: http://www.law.cornell.edu/uscode/42/ch85.html

Finally, managers are asked to envision the consequences of a decision, such as whether headlines that are unfavorable to the firm may result. The initial consequence for Miller's decisions was a reduction in profits because of the costs of the changes. However, the long-term consequences were the respect of environmental regulators, a responsive public committed to rainforest preservation, and Miller's recognition by *Business Ethics* as one of America's top twenty corporate citizens since 1992.

Other Models

Of course, there are much simpler models for making ethical business decisions. One stems from Immanuel Kant's categorical imperative, loosely similar to the Golden Rule, "Do unto others as you would have them do unto you." Treating others or others' money as we would want to be treated is a powerful evaluation technique in ethical dilemmas.

WHY WE FAIL TO REACH GOOD DECISIONS IN ETHICAL DILEMMAS

Very often, we look at the conduct of corporate executives, such as those in the opening Consider quiz, and wonder, "Where were their minds and what were they thinking when they decided to engage in such bad behavior?" Often those involved did not walk through the steps you have learned earlier in resolving ethical dilemmas. But, also, they slipped into rationalizations rather than analysis. The following sections provide a list and summary of each of the frequent statements of rationalization that we use to avoid facing ethical dilemmas (see Exhibit 2.1).

EXHIBIT 2.1 The Language of Rationalization

"Everybody else does it."

"If we don't do it, someone else will."

"That's the way it has always been done."

"We'll wait until the lawyers tell us it's wrong."

"It doesn't really hurt anyone."

"The system is unfair."

"I was just following orders."

Perpetrating Interpersonal Abuse

A manager sexually harasses an employee. Another manager is verbally abusive to an employee. Still another manager subjects employees to humiliating correction in the presence of customers. In some cases, laws protect employees. However, many situations are simply ethical violations that constitute interpersonal abuse.

Permitting Organizational Abuse

Many U.S. firms with operations overseas, such as Unocal, Levi Strauss, The Gap, Nike, and Esprit, have faced issues of organizational abuse. The unfair treatment of workers in international operations appears in the form of child labor, demeaning wages, and too-long working hours. While a business cannot change the culture of another country, it can perpetuate—or alleviate—abuse through its operations there.

Violating Rules

Review Stanford University's "Code of Conduct for Business Activities": http://adminguide.stanford.edu/1.pdf

Many rules, particularly those in large organizations that tend toward bureaucracy from a need to maintain internal controls or follow lines of authority, seem burdensome to employees trying to serve customers and other employees. Stanford University experienced difficulties in this area of ethics as it used funds from federal grants for miscellaneous university purposes. Questions arose about the propriety of the expenditures, which could have been approved through proper channels but were not. The rules for the administration of federal grant monies used for overhead were not followed. The result was not only an ethical violation but also damage to Stanford's reputation and a new president for the university.

Condoning Unethical Actions

Visit Lockheed Martin's Code of Ethics. http://www.lockheedmartin.com

In this breach of ethics, the wrong results from the failure to report the wrong. What if you witnessed a fellow employee embezzling company funds by forging his signature on a check that was supposed to be voided? Would you report that violation? A winking tolerance of others' unethical behavior is in itself unethical. Suppose that as a product designer you were aware of a fundamental flaw in your company's new product—a product predicted to catapult your firm to record earnings. Would you pursue the problem to the point of halting the distribution of the product? Would you disclose what you know to the public if you could not get your company to act? In many companies such as Enron, WorldCom, and Tyco, the failure of employees to report the problems they saw permitted financial misconduct to go on so long that there was irreparable damage to many.

Balancing Ethical Dilemmas

Visit Levi Strauss & Company. http://www.levi.com

In these types of situations, there are no right or wrong answers; rather, there are dilemmas to be resolved. For example, Levi Strauss struggled with its decision about whether to do business in the People's Republic of China because of known human rights violations by the government there. Other companies debated doing business in South Africa when that country's government followed a policy of apartheid. In some respects, the presence of these companies would help by advancing human rights and, certainly, by improving the standard of living for at least some international operations workers. On the other hand, their ability to recruit businesses could help such governments sustain themselves by enabling them to point to economic successes despite human rights violations.

RESOLUTION OF BUSINESS ETHICAL DILEMMAS

So far you know what business ethics is and you have a list of the areas that cover most ethical dilemmas. But if you were faced with an ethical dilemma, how would you resolve it? The resolution of ethical dilemmas in business is often difficult, even in firms with a code of ethics and a culture committed to compliance with ethical models for decision making. Managers need guidelines for making ethical choices. Several prominent scholars in the field of business ethics have developed models for use in difficult situations. This section covers those models.

Blanchard and Peale

The late Dr. Norman Vincent Peale and management expert Kenneth Blanchard offer three questions that managers should ponder in resolving ethical dilemmas: "Is it legal?" "Is it balanced?" "How does it make me feel?"

Browse antitrust cases at the U.S. Department of Justice: http://www.usdoj.gov

If the answer to the first question, "Is it legal?" is no, a manager should not proceed any further. An examination of the Justice Department's antitrust case against some of the country's best and largest universities demonstrates that managers still fail to ask the basic ethical question of whether they are in compliance with the law. In that case, twenty-two large private northeastern universities had agreed to offer the same financial aid packages to students, so that students' decisions on which institution to attend were based on factors other than the level of financial aid. This loan package arrangement was nothing more than an agreement on price; antitrust laws prohibit such agreements.

Answering the second question, "Is it balanced?" requires a manager to step back and view a problem from other perspectives—those of other parties, owners, shareholders, or the community. For example, an M&M/Mars cacao buyer was able to secure a very low price on cacao for his company because of pending government takeovers and political disruption. M&M/Mars officers decided to pay more for the cacao than the negotiated figure. Their reason was that some day their company would not have the upper hand, and then they would want to be treated fairly when the price became the seller's choice.

Answering "How does it make me feel?" requires a manager to do a self-examination of the comfort level of a decision. Some decisions, though they may be legal and may appear balanced, can still make a manager uncomfortable. For example, many managers feel uncomfortable about the "management" of earnings when inventory and shipments are controlled to maximize bonuses or to produce a particularly good result for a quarter. Although they have done nothing illegal, managers who engage in such practices often suffer such physical effects as insomnia and appetite problems. Known as the element of conscience, this test for ethics requires businesspeople to find the source of their discomfort in a particular decision.

The Front-Page-of-the-Newspaper Test

One very simple ethical model requires only that a decision maker envision how a reporter would describe a decision on the front page of a local or national newspaper. For example, with regard to the NBC News report on the sidesaddle gas tanks in GM pickup trucks, the *USA Today* headline read, "GM Suit Attacks NBC Report: Says show faked fiery truck crash." Would NBC have made the same decisions about its staging of the truck crash if that headline had been foreseen?

The validity of Martha Stewart's conviction for conspiracy and obstruction came into question when prosecutors charged their leading witness, Larry Stewart

4. Develop a list of resolutions for the problem. Apply the various models for reaching this resolution. As you apply the various models to the dilemma, you may find additional insights for questions 1, 2, and 3. If the breach has already occurred, consider the possible remedies and develop systemic changes so that such breaches do not occur in the future.
5. Evaluate the resolutions for costs, legalities, and impact. Try to determine how each of the parties will react to and be affected by each of the resolutions you have proposed.
6. Make a recommendation on the actions that should be taken.*

Some Help for You on the Barbara Walters Case

THINK: To help in your analysis, consider the following list of the parties affected by this dilemma.

- Ms. Walters: Her credibility as a journalist is affected if there is an actual conflict or the appearance of a conflict.
- ABC News and *20/20:* While the producers and others associated with the show and the news division may not have known of Ms. Walters' investment, they are affected by the post-show disclosure of it in terms of their credibility.
- Viewers: Even unintentional conflicts cause viewers to lose trust.
- Mr. Webber and his investors in *Sunset Boulevard:* His credibility is affected by the undisclosed conflict and controversy.
- Ticket holders for *Sunset Boulevard:* Those who purchased tickets based on what they thought was news coverage may feel they were taken advantage of, and future ticket holders may not be willing to purchase until they feel there is a more objective evaluation.

APPLY: To further assist you in your analysis, consider the following categories.

- Conflict of interest: Ms. Walters had an economic interest in the show doing well and that interest was at odds with her journalistic role of objective reporting.
- Giving or allowing false impressions: Ms. Walters played the role of an objective journalist when she was really an investor in a critical project run by the subject of her interview

ANSWER: Because the conduct has already occurred, your role becomes one of recommendation. You need to provide a recommendation that affords protection to all the parties listed as affected by the conduct. For example, to protect the credibility of the news organization, there will need to be a policy on journalists' disclosures of conflicts of interest, including any investments they hold with the companies or projects of the subjects of their interviews. That policy may require not only disclosure but also withdrawal from certain stories if the conflict seems too difficult to overcome. There are two ways to fix a conflict of interest: don't do it, or disclose the conflict to those affected. Sometimes disclosure is insufficient and one party must not engage in the conduct. It seems that Ms. Walters has begun adhering to such a policy as she made her disclosure on her other show and also declined to be part of the story.

*Adapted from Marianne M. Jennings, *Business Ethics: Case Studies and Selected Readings*, 5th ed. (2004).

Hiding or Divulging Information

Taking your firm's product development or trade secrets to a new place of employment constitutes an ethical violation: divulging proprietary information. Failing to disclose the results of medical studies that indicate that your firm's new drug has significant side effects is the ethical violation of hiding information that the product could be harmful to purchasers.

Taking Unfair Advantage

Many current consumer protection laws were passed because so many businesses took unfair advantage of customers who were not educated or were unable to discern the nuances of complex contracts. Credit disclosure requirements, truth-in-lending provisions, and regulations on auto leasing all resulted because businesses misled consumers who could not easily follow the jargon of long and complex agreements.

CONSIDER... 2.3

Kenneth Branch was an employee with Lockheed Martin in 1996. During that time Lockheed Martin was competing head-to-head with the Boeing Company for a government contract worth $5 billion. Mr. Branch interviewed for a job in Boeing's rocket division in 1996 and began employment at Boeing in January 1997.*

The government awarded the contract to Boeing. An internal investigation by Boeing revealed that Mr. Branch and his supervisor, William Erskine, had thousands of pages of proprietary documents from Lockheed Martin, including detailed information about Lockheed Martin's costs and specifications for the rocket contract. Boeing turned over 11 boxes of documents to Lockheed in 2003, some of which were marked "Proprietary."

Applying the model you learned in Consider 2.2, determine whether there were any ethical breaches in Boeing's conduct.

The author has performed consulting work for Boeing on changing its ethical culture. Why is this disclosure important in this text? Why is this disclosure important to you?

*Anne Marie Squeo and Andy Pasztor, "U.S. Probes Whether Boeing Misused a Rival's Document," *Wall Street Journal*, May 5, 2003, pp. A1, A7

CONSIDER... 2.4

The Federal Trade Commission discovered that many credit card companies were using 10 A.M. as the cutoff time for posting that day's payments on credit cards, even though regular mail did not arrive at the credit card offices until afternoon. As a result, the companies charged $29.00 late fees to customers whose payments arrived by regular mail on the due date specified on their billing statements but after the 10 A.M. cutoff time. When this practice was implemented, there were no specific regulations on time-of-day postings or disclosure requirements for such creditor practices. Was the 10 A.M. cutoff time ethical? Was it ethical if credit card customers were not told? Was it ethical if they were told? What legal argument could be made that the posting time violated existing disclosure laws that addressed billing and notice requirements for credit cards?

CHECK THE WEB

Check the Web under this chapter as well as Chapter 15 for regular updates on ethical issues in credit contracts, credit card debt, and consumer financing and leasing issues.

Committing Acts of Personal Decadence

While many argue about the ethical notion of an employee's right to privacy, it has become increasingly clear that personal conduct outside the job can influence performance and company reputation. A company driver must abstain from substance abuse because of safety issues. Even the traditional company summer picnic has come under scrutiny as the behavior of employees at and following these events has brought harm to others in the form of alcohol-related accidents.