

Don't Play Games! Teaching Notes

What Are the Relevant Facts?

1. The company is suffering severe cash-flow problems and a significant decline in sales.
2. The bank is seriously concerned about the company's ability to continue as a viable concern.
3. Rick, the Controller, was working to bring the new acquisition on line.
4. Russ, the President, was juggling cash inflows and outflows in order to have an advantage in any negotiations with the bank about the loan.
5. Russ enjoys "playing games" with other people.

What Are the Ethical Issues?

1. Are these practices fraudulent?
2. Does Rick have an obligation to disclose fraudulent practices?
3. If Rick has consented to these practices, up to this point, is he guilty of unethical behavior?
4. Does the President have an obligation to be concerned with issues beyond the survival of the firm at this point?
5. Does the President have an obligation not to put employees in this type of situation?
6. To what extent is Rick's behavior responsible for the fraudulent reporting?

Who Are the Primary Stakeholders?

- Russ
- Monica
- Rick
- Stockholders
- Bank customers

What Are the Possible Alternatives?

1. Rick can go to Monica and explain exactly what is occurring at the firm.

2. Rick can talk to the company's auditors when they arrive.
3. Rick can continue as he has been doing.
4. Rick can talk to Russ and explain his concerns about these practices.
5. Rick can look for a new job.

What Are the Ethics of the Alternatives?

1. Is anyone receiving an inequitable benefit from the practices?
2. Is the bank being harmed by the practice?
3. Will more people be harmed if the practice continues or stops?
4. Are the practices justifiable in light of the alternatives, i.e., possible bankruptcy and unemployment for a number of workers?
5. Is Rick being FORCED into unethical behavior?
6. Does Rick have an obligation to disclose his company's practices to outside entities?
7. Does Russ have a right to expect loyalty from company employees?

What Are the Practical Constraints?

1. The company's financial situation may turn around now that it has Medicare sales.
2. Rick is certain that he will not be able to convince Russ to change the practices.
3. If Rick tells anyone about the practices, Russ will view Rick as a traitor who is undeserving of "trust."

What Actions Should Be Taken?

1. What alternative would you choose?
2. What ethical theory (utilitarian, rights, justice) makes the most sense in justifying your action?