

Ethics Case Studies Answer Guide

LEE – PART 1

Lee has been with XYZ Property Casualty Company for twelve years, all in a large regional office in the Midwest. He established an impressive track record of getting results, and was well-respected by his staff and senior field management alike. Anxious to further his career, he applied for and was hired into a Strategic Business Consultant position at the company's headquarters. This is a developmental role intended for high potential employees such as Lee, intended to engage employees with insurance field experience to work on long-term strategic issues facing the company.

A critical capability for success in this position is the creation of clear, concise reports and presentation of issues and recommendations. Lee attended a class and received coaching in these areas as part of his early training for the job. After a recent presentation, he received feedback that although his analysis was good, his report and presentation materials were rambling and confusing. The clear message from his boss was: "...fix this problem, for future success depends upon your ability to communicate clearly and convincingly."

Another presentation is scheduled for next week. Lee feels helpless to improve in so short a time, so he hires his neighbor Sheila to write the report and presentation for him. He uses company funds to pay Sheila, calling the expense 'skill development'.

Was Lee doing anything unethical? Why or why not?

If Lee claims Sheila's work as his own, he's misleading his employer. Sheila has been paid, and likely has no qualms about Lee using the material however he chooses. However, Lee's company in effect is paying twice for the work: through Lee's salary (they compensate him to perform this task) and again through the fee paid to Sheila. He is also misleading the company into believing that he is taking steps to develop these critical skills.

Which of Lee's values might be at odds with one another?

Honesty vs. recognition; integrity vs. advancement; short-term vs. long-term

What are the risks to his reputation: by hiring Sheila to do the work? by not hiring Sheila to do the work? Which in your opinion poses the more serious risk?

Risk in hiring Sheila: he is being duplicitous and untrustworthy, if he claims Sheila's work as his own. Risk in not hiring Sheila: he looks incompetent and unprepared.

Most participants agree that the risk to reputation in hiring Sheila is greater, since it is far more difficult to overcome the belief that one is untrustworthy , than to overcome a perception of lack of skill.

LEE – PART 2

Lee uses Sheila's report and presentation as his own, and he receives rave reviews from senior management. He continues to hire Sheila on the side to prepare his materials. Not only does Lee look good, but so does Marcia, his boss. She's credited with turning Lee's performance around in a short period of time, and with accurately evaluating Lee as a quick study and someone worthy of future advancement.

After several weeks, quite by accident, Marcia meets Sheila at a party and learns of her role in Lee's success. Not only is Marcia disturbed by Lee's duplicity, but does not know what she'll do with this new information at Monday morning's Talent Review meeting. If she's honest with her boss and peers about what she's learned, her reputation as an astute leader will suffer along with Lee's reputation.

Is this an ethical dilemma?

Yes. Marcia must choose between covering up Lee's duplicity, to the detriment of the company, and being honest and forthcoming, which will jeopardize Lee's career and perhaps her own.

Which of Marcia's values might be at odds with one another?

Honesty vs. desire to be seen as a capable, informed manager

If you were Marcia, what would you do? In formulating your answer, consider each of the resolution principles: end-based (i.e., what produces the greatest good for the greatest number?), rule-based (follow the rule, or the principle that you want everyone else to follow), and care-based (do to others what you would want them to do for you – but note: there may be several 'others' to consider).

Participants should consider various options, using Kidder's three resolution principles (from *How Good People Make Tough Choices; Resolving the Dilemmas of Ethical Living* by Rushworth M. Kidder, ©1995, featured in the CPCU Society Center for Leadership's Leadership and Ethics course)

Marcia should, in some fashion, bring Lee's actions to the attention of her management, given the fact that he is considered a high-potential performer. She may or may not choose to do so publicly at the Talent Review meeting, but could simply say at the meeting that she's come upon new information, and would like to postpone discussion of Lee's potential until she's had a chance to investigate further. She should immediately fill her boss in off-line, preferably before the meeting.

TOO MUCH INFORMATION

Saad was Bernie's supervisor in the marketing department of Regressive Insurance up until about five years ago. Saad was aware that Bernie enjoyed going to the track and visiting casinos, and began to be concerned that Bernie's gambling was becoming excessive. Knowing that his performance was suffering because of frequent absences (all due to extended gambling trips), Bernie got out of Regressive before he was disciplined, and he and Saad have remained friendly.

Both Saad and Bernie have since taken jobs at other companies, and Bernie is out interviewing again, this time for a job at Gibbs Mutual. Saad's neighbor is the interviewing manager at Gibbs and learns that Bernie and Saad worked together at Regressive. The neighbor has asked Saad, off the record, if he would recommend Bernie for the open position. Saad is concerned when he learns that the position has financial and fiduciary responsibilities, for he knows that Bernie continues to gamble, and sometimes gets in over his head.

Does Saad face an ethical dilemma?

Yes. Saad has information that could affect Bernie's chances of obtaining the job. If he tells the truth, Bernie will likely not get the job. If he omits important information, he'll be unfairly misleading the company that's considering Bernie as a candidate.

If so, which of Saad's values might be at odds with one another?

Honesty vs. loyalty; integrity vs. mercy/care for Bernie's career

What should he do to resolve the matter? In formulating your answer, consider each of the resolution principles: end-based (i.e., what produces the greatest good for the greatest number?), rule-based (follow the rule, or the principle that you want everyone else to follow), and care-based (do to others what you would want them to do for you – but note: there may be several 'others' to consider).

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One option would be for Saad to speak to Bernie and be honest with him about his reluctance to speak with his prospective employer. Saad may tell the neighbor that he makes it a practice not to provide an 'off-the-record' reference, and refer the neighbor back to Bernie.

CULTURE SHOCK

The Specialty Large Loss Unit of ACME Casualty has suffered a large loss of its own. A senior claim consultant has been caught in an embezzlement scheme with a plaintiff and the plaintiff's attorney, and it's been discovered that this is just the latest in a series of fraudulent activities which the consultant has orchestrated against ACME. Her long-time boyfriend, who has an administrative role in the department, also participated in the fraud which took place over the course of eighteen months. Several fellow employees had been suspicious of the pair, but they never raised concerns to management because they didn't trust that their suspicions would be kept confidential.

The manager of the department had no knowledge of the fraud, but the stress of the aftermath and fallout from the discovery prompted him to leave the company and get a job elsewhere. Maria is the successful leader of another unit in the company's claim organization, and she's been selected to take the departing manager's place as head of the Specialty Large Loss Unit.

Although Internal Audit has confirmed that the fraudulent activity was confined to the one claim consultant and her boyfriend (both of whom have been fired and prosecuted), Maria faces several problems. The department's reputation with other ACME units, its independent agents, and with defense and plaintiff attorneys alike is suffering. Staff morale is low, and there's an unspoken belief on the part of many that the department's culture may in some way have contributed to the occurrence of the fraud, and to the fact that it continued for so long. What should Maria do to turn around the unit's reputation, and to create a culture that embraces high ethical standards?

Maria can do the following:

- Create a compelling vision for the department, with ethics as a central value
- Set clear expectations about ethical behavior
- Be a role model herself for honest, ethical behavior
- Use every opportunity to encourage open communication
- Take steps to improve employee morale and teamwork
- Incorporate ethical behavior and practices into performance objectives
- Provide positive consequences, reward, and recognition for open, honest dealings
- Take prompt action against wrong-doers
- Publicize the company's ombudsmen (or 'whistleblower') hotline
- Provide ethics training

Etc.