



Trinity Briefs™

Reason - Purpose - Self Esteem



January/February 2007

Topic Primer

Resolved:

The actions of corporations ought to be held to the same moral standards as the actions of individuals.

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Trinity Briefs

January/February 2007 – Topic Primer

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Resolved:

The actions of corporations ought to be held to the same moral standards as the actions of individuals.

II. TOPIC PRIMER (1/49)

I. Introduction – Making the (Re)Call

Imagine for a moment that you are Chief Executive Officer (CEO) of Greenacres Incorporated—the oldest, largest and most reputable producer of lawn care machinery in America. In fact, Greenacres is so successful that its total revenues for last year topped over \$1 billion dollars—half of which is due entirely to sales of its signature brand of Lawn-Master lawnmowers, which now account for 60% of all lawnmowers purchased in America annually, beating out sales of rival models offered by domestic and foreign competitors alike (e.g., Toro). Needless to say, Greenacres’s shareholders are extremely happy with the unprecedented levels of profit that the company is reaping under your leadership—Greenacres’s stock price has tripled during your time with the firm—as are the Board of Directors and your subordinates. The firm’s 5,200 employees are also riding tall, with the firm’s average base salary at an all-time high and the construction of two new Lawn-Master factories in the works that will ultimately add another 500 employees to the company. And Greenacres’s customers are also extremely happy with the quality of their Lawn-Masters, finding them to be worth every dollar they pay for them. Thus, as you lean back in your private office waiting to be rewarded with a \$1 million bonus from the Board of Directors, it seems that life simply cannot get any better than this.

It soon comes to your attention, however, that eight people have recently died in a small Chicago-area suburb after being struck by blades flying off otherwise brand-new Lawn-Masters that had been manufactured by Greenacres in the last six months. Further investigation by the local authorities reveals that the malfunction in all eight cases was caused by someone intentionally tampering with the bolt that secures the Lawn-Master’s blades in place, and that this tampering almost certainly happened after the lawnmowers left the factory. In short, it would seem that at least from a legal standpoint, Greenacres bears no direct responsibility for the malfunctioning blades or the deaths they caused. Nevertheless, you immediately arrange for a meeting of all Greenacres executive leaders

II. TOPIC PRIMER (2/49)

from its manufacturing, sales, public relations, customer service, and legal divisions in order to figure out the best way to respond to this crisis. At the meeting, your customer service head quickly informs you that Greenacres's reputation and public confidence in the Lawn-Master brand is now on the line. He thus recommends that all Lawn-Masters sold in the last year be recalled for inspection (and, if necessary, replacement) and that a advertising campaign be launched to inform consumers about the potential dangers posed by the Lawn-Master. He also reminds you that customer satisfaction and loyalty is what has made Greenacres the leading lawnmower manufacturer in the country, and any losses the company suffers from undertaking the recall will be more than made up for by the resulting goodwill the recall will generate from both Greenacres's customers and the public-at-large. Your head of sales vehemently disagrees, however, informing you that such actions would destroy both the long-term profitability of the Lawn-Master brand as well as the financial health of the company. In particular, she projects that the recall itself would likely cost Greenacres \$100 million to successfully execute, cutting profits for the year in half along with Greenacres' stock price. She also predicts that any recall effort would reduce Greenacres's dominance in the lawnmower market from 60% to less than 10%, thus costing tens of millions of dollars in lost sales that the company cannot afford, especially with major two factory construction projects underway. Accordingly, she makes it clear to you that as far as she can tell, any attempt to recall the over 200,000 Lawn-Master lawnmowers sold in the last year will financially kill Greenacres Inc.

At this point, you decide to ask Greenacres' chief legal counsel for his thoughts. He proceeds to inform you that in addition to the major short- and long-term financial costs that the company would undoubtedly incur by attempting a recall, there is also the great risk of a lawsuit insofar as any recall effort would likely be seen by the families of the malfunction victims (not to mention the public) as a corporate admission of fault for the malfunction. He further adds that even the local authorities who originally discovered the tampering have come out against the idea of a highly publicized recall campaign given

II. TOPIC PRIMER (3/49)

that such an effort might give whoever tampered with the mowers in the first place what they crave most—national publicity—and perhaps even foster copycats in other parts of the country. This immediately leads you to ask your company’s head of manufacturing about what it would take and how much it would cost to ensure that all future Lawn-Master mowers are made tamper-resistant. She tells you that it could cost anywhere from \$5 million to \$50 million to design a fully tamper-resistant bolt, and the costs of halting the Lawn-Master assembly line until such a bolt had been developed would be huge, likely requiring that hundreds of assembly-line employees be fired. You now turn to your head of public relations, hoping that he will say something decisive that will make it clear to you what Greenacres should ultimately do. Unfortunately, he does not, telling you instead that the choice you now face is simply determining which type of disaster Greenacres is best able to deal with at the moment: (1) the “no good deed goes unpunished”-disaster or (2) the “protect the company at all costs and alienate the public”-disaster. He also reminds you that time is running short and if a recall effort is to be undertaken, it has to be started now or else any beneficial effects it might have for the company in terms of public relations will be completely negated (i.e., because the public will view a delayed recall as a reluctant attempt to “manage” the crisis rather than as a benevolent action). So, with time being of the essence, you now have a decision of monumental importance to make—one upon which the future of a billion-dollar company and the livelihood of its 5,200 employees rests, not to mention the safety of hundreds of thousands of Lawn-Master owners and the public-at-large. Do you order the recall, or do you sit on your hands and disown corporate responsibility for the crisis at hand?¹

Of course, no such corporation as Greenacres Inc. really exists. But the hypothetical scenario outlined above is much closer to the truth than one might think—in fact, it was

¹ Credit for this hypothetical properly goes to Norman R. Augustine, chairman of the Executive Committee at Lockheed Martin Corporation, who offers it in an abbreviated form in his forward to the following book: Jeffrey Seglin (Editor-at-Large, *Inc. Magazine*). The Good, The Bad, and Your Business: Choosing Right When Ethical Dilemmas Pull You Apart. New York, NY: John Wiley & Sons, Inc., 2000. [p. v-viii]

II. TOPIC PRIMER (4/49)

precisely the situation that Johnson and Johnson (J&J) executives faced less than two decades ago. We all know J&J—a highly trusted and profitable American manufacturer of pharmaceutical, diagnostic, therapeutic, and hygienic products—for its over-the-counter pain reliever Tylenol®. The Tylenol brand is so ubiquitous today that it has become synonymous with pain relief medication in the same way Kleenex is synonymous with hand tissues. Yet, in 1982, the future of both the Tylenol brand and J&J was very much in doubt as J&J executives were forced to contend with the reality that eight people had died after consuming Tylenol capsules that had been deliberately laced with cyanide. These executives ultimately turned to J&J’s credo for guidance—a credo that placed the safety and needs of J&J’s customers as paramount above all other considerations—and soon decided to recall 31 million bottles of Tylenol from store shelves at a cost of \$240 million, cutting J&J’s profits for the year in half. Shortly thereafter, J&J’s stock price plunged and their share of the pain reliever market fell from 35% to less than 8%. Yet, in the long-term, thanks to J&J’s development of a new tamper-resistant bottle as well as the goodwill its efforts engendered from the public-at-large, these financial setbacks were only temporary and both J&J and Tylenol were able to quickly rise again to positions of prominence in the business world. To this end, J&J’s 1982 recall is considered by many business ethicists and commentators alike to be the hallmark of the virtuous corporation at work—a business that “did the right thing” despite bearing no direct responsibility for the crisis at hand and knowing it faced great financial harms for doing what it did.

But what if J&J’s 1982 recall had ultimately bankrupted J&J instead of saving the Tylenol brand? Would we then still be willing to hold up J&J’s behavior as a paragon of virtue to be emulated by all businesses? Needless to say, it is easy enough to declare what the right course of action is in hindsight, when one knows with absolute certainty what the consequences of one’s actions will be. But businesses, just like individuals, have to make decisions in the moment—that is, absent any kind of definitive certainty—while also taking into account the fact that whatever decision they ultimately make will affect

II. TOPIC PRIMER (5/49)

far more lives (both present and future) than they can possibly imagine. Therein lies the grand perspective from which debaters should research, write cases on, and argue rounds on this month's NFL resolution. Indeed, it makes little sense to debate about whether the actions of corporation should be held to the same moral standards as those of individuals unless one understands what the implications of affirming or negating actually mean in the real world. Hence, returning to our hypothetical scenario involving Greenacres Inc., this month's topic forces us to consider the following kinds of questions: Should your final decision as CEO on whether to order a recall be based on something more than just the stark financial realities involved—that is, should you be expected to take the tenets of a more personal or private morality into account in making this decision (e.g., the Ten Commandments, the Golden Rule, etc.)? And if you did apply such an individualistic moral standard in your decision-making process, what effect would this have on your final decision? Would you be more likely to order the recall under such circumstances, or less, or would it make no difference at all? And what does it say about our understanding of morality in general—not to mention the relationship between morality and business—when we endeavor to enforce upon our business decisions the exact same level of moral scrutiny that we do our personal decisions? There are no easy answers to these questions, but the exploration of them is precisely what this month's debate topic is all about.

On that note, I'd like to take a moment to impress upon all debaters the following point: when it comes to writing affirmative or negative cases on this month's topic, the value of storytelling cannot be understated. Having judged many rounds on this topic, I can say without a doubt that the biggest obstacle faced by LD judges in evaluating rounds on this topic is the failure of both affirmatives and negatives alike to provide clear, coherent narratives that explain just what the resolution is talking about and what the principled and practical implications of affirming and/or negating it are. But this is not a difficult obstacle to overcome. To the contrary, surmounting it is as simple as writing an affirmative or negative case that (1) tells the story of a decision that a real or hypothetical

II. TOPIC PRIMER (6/49)

corporation has to make (e.g., whether to recall a tampered product), (2) describes how affirming and negating would respectively serve to affect the way in which this decision is made (e.g., affirming would remind corporate leaders of their fundamental humanity, leading them to order a recall despite whatever financial risks might be involved), and (3) explains the “moral” of this story—why we want to live in a world where corporations make the kind of decision that comes with affirming or negating the resolution. And yet, all too often, I have found myself judging rounds on this topic in which neither the affirmative nor the negative bothers to mention the name of a single corporation, real or hypothetical, in their cases. I therefore implore all debaters before writing their cases on this topic to remember that in arguing why the resolution should be affirmed or negated, one is truly arguing over the future of companies like J&J and Greenacres Inc. and the tough decisions they face in ensuring their survival both financially and morally.

In other words, there is a reason why companies like J&J have “credos.” And while not all corporations with ethics statements have been paragons of virtue—Global Crossing, Enron, and Tyco immediately leap to mind—such charlatans only reiterate the importance of understanding how decisions are made in the business world, the kind of impact these decisions have both on the corporation itself and the world beyond it, and what it takes to make sure that corporations (no less than individuals) do the right thing. That is why debating this month’s topic matters in the end. All too often we overlook the integral role that corporations play in our lives; we forget that the toothpaste we use in the morning is made by the *Colgate Corporation*, or that the sneakers we wear are made by *Nike Inc.* But we cannot afford to be ignorant of these facts—not so long as we take this month’s resolution seriously and thus realize that our actions as individual consumers are as much implicated by it as are the actions of corporations. Put another way: holding corporations to the same moral standards as those of individuals may mean not only that *Greenacres Incorporated* should recall their lawnmowers, but also that we as individuals should refuse to buy anything from Greenacres until they finally order that recall.



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