

Plant Automation Teaching Notes

What Are the Relevant Facts?

1. Company management has decided that the Cedar Valley plant is to be automated.
2. Automation of the plant means that hundreds of jobs will be lost. The people who lose their jobs will have trouble finding new ones.
3. The decision to automate the plant has been made, even though net present value and cost analyses do not justify automation.
4. George has been asked to prepare new analyses showing that automating the plant will be profitable. The new analyses will be used to help explain the decision to employees and townspeople.
5. George has been asked to play with the numbers from the original report to come up with favorable findings.

What Are the Ethical Issues?

1. It is fair and reasonable to use technical accounting information to communicate with plant employees and town residents who probably don't know very much about accounting?
2. Is it ethical to change assumptions in order to make an accounting analysis turn out the way a manager wants it to?
3. Should accounting information be created and used to justify a decision which has already been made?
4. Capital budgeting procedures such as net present value require an accountant to make several assumptions. Under what conditions should the accountant change those assumptions?

Who Are the Primary Stakeholders?

- The employees who will lose their jobs or have to learn new skills
- Residents of Cedar Valley
- George
- Arthur
- Company management
- Stockholders of the company

1. What Are the Possible Alternatives?

2. George could refuse to prepare the new accounting numbers.
3. George could change some of his assumptions about costs and asset lives and prepare a report that supports the plant automation.
4. George could go to Arthur and suggest that the decision should be communicated to employees and Cedar Valley residents without using accounting terminology and calculations to justify the decision.

What Are the Ethics of the Alternatives?

- From a utilitarian perspective, what costs and benefits would there be if George complies with Arthur's request?
 1. Are there any identifiable costs or benefits for the employees who will lose their jobs?
 2. Will there be economic benefits to the company and its stockholders? Employees may be less likely to question the decision if they think there are good reasons for it.
 3. What would the consequences be for George if he refuses to do what Arthur wants.
- From a "rights" perspective, what do the different stakeholders have a right to ?
 1. Do the employees and town residents have a right to know the real background behind the decision to update the plant?
 2. What rights do stockholders have in this case?
 3. Do the rights of employees and stockholders conflict in this situation?
 4. Who are the most important stakeholders in this case?
 5. To whom does George owe his loyalty?
 6. Is it right for George to be asked to prepare analyses supporting a decision he may not agree with?
 7. How would the alternative actions affect George's self-respect?
 8. How should the decision be communicated to employees, to show respect for them and their rights?

- From a “justice” perspective, will the action taken by George affect the distribution of benefits and burdens in this case?
 1. Which alternative will benefit George?
 2. Which alternative would be most beneficial for stockholders?
 3. Are the employees harmed in any way if George does what Arthur wants him to do?

What Are the Practical Constraints?

1. George has already prepared a report that rejects the economic validity of automating the plant. What if this is found out by labor and civic groups?

2. George can’t change or influence the decision about automating the plant; he may be able to influence how the decision is communicated to employees and townspeople.

What Actions Should Be Taken?

1. What action should George take?
2. What factors should George consider in deciding what to do?
3. Which ethical theory (utilitarian, rights, justice) best fits this case?