

## A Shortfall at Ajax Inc. Teaching Notes

### *What Are the Relevant Facts?*

1. Carol, the assistant treasurer for a medium-sized manufacturing company, is responsible for monitoring the performance of three fixed-income managers of her company's pension plan. She also recommends how new pension monies are allocated to the three fixed-income managers.
2. Carol has been invited by SNB, one of the fixed-income managers, to attend the annual conference for their best clients.
3. SNB will pay for all of Carol's expenses except airfare.
4. Carol's boss, Mary Ann (the treasurer), had previously attended SNB's conferences.
5. The conference meets each day in a resort area until 10:30 a.m. and after 4:30 p.m.
6. Carol will travel on Wednesday morning and return on Sunday.
7. The other two fixed-income managers have shorter, smaller conferences in New York City.
8. Carol expects to gain significant information that will help her to do her job more effectively.

### *What Are the Ethical Issues?*

1. Is there an appearance of a conflict of interest?
2. Would Carol's attendance at the SNB conference constitute a conflict of interest?
3. Would a decision by Carol not to attend the conference bring into question the propriety of her boss's trips to previous SNB conferences?

### *Who Are the Primary Stakeholders?*

- Carol
- Mary Ann
- Pension fund beneficiaries
- Stockholders
- other two fixed-income managers

### *What Are the Possible Alternatives?*

1. Attend the conference.
2. Attend the conference but have her own company pay all of the expenses.
3. Discuss the conflict of interest with her boss, Mary Ann.
4. Refrain from attending the conference.

### *What Are the Ethics of the Alternatives?*

- From a "utilitarian" perspective, what are the net costs and benefits of Carol's attending or not attending SNB's conference? How would you measure the potential costs and benefits? For example, how could the benefits of "new information" and a better sense of the "current investment climate" be valued? Or how could you measure the cost of a possible loss of objectivity for Carol or the cost of conflict of interest?
- Discuss from a "rights" perspective what rights each stakeholder has in this situation and the corresponding duties that those rights impose on Carol. You might want to focus the discussion on the area of conflict of interest and the duties it creates.
- Ask questions from a "justice" perspective concerning the fair distribution of benefits and burdens among stakeholders. For example, explore the fairness of Carol's attending or not attending SNB's conference (when she probably does attend the meetings of the other two managers in New York).

### *What Are the Practical Constraints?*

1. If Carol raises this decision with her boss, Mary Ann, is Carol jeopardizing her own job?

### *What Actions Should Be Taken?*

1. Should Carol attend this conference?
2. Which ethical theories have the greatest influence on your decision?