

Inside Information Teaching Notes

What Are the Relevant Facts?

1. Tom Jones has joined the sales force at Wood Truss.
2. Strong Built has issued a request for bids on a bill of materials.
3. Tom is responsible for developing Wood Truss's bid.
4. Mark, Tom's boss, has provided copies of competitors' bids.
5. Mark has ordered Tom to underbid the competitors.

What Are the Ethical Issues?

1. Can Tom avoid using the bid information and still comply with Mark's orders to be the low bidder?
2. Should Tom be concerned about using the competitors' bid information, seeing that it came from a Strong Built employee?
3. Does using the information put Tom and/or his company in jeopardy?
4. If everybody in the construction industry acts this way, should Tom?

Who Are the Primary Stakeholders?

- Strong Built
- Wood Truss employees
- Wood Truss competitors
- Strong Built's customer
- Tom
- Mark
- Strong Built employee who passed inside information

What Are the Possible Alternatives?

1. Use the competitor information as Mark ordered.
2. Inform Mark's boss about the competitor information.
3. Inform Strong Built about the competitor information
4. Complete the bid without using the information
5. Tom can resign in protest.

What Are the Ethics of the Alternatives?

- Ask questions based on a "utilitarian" perspective (costs and benefits). For example:
 1. Which alternative would provide the greatest benefit?
 2. Who would incur costs and who would benefit from each alternative?
- Ask questions based on a "rights" perspective. For example:
 1. What rights are being violated by the use of competitor bid information?
 2. What obligation does Strong Built have to protect competitor bid information?
 3. Which alternative provides the greatest respect for all of the stakeholders' rights?
- Ask questions based on a "justice" perspective (benefits and burdens). For example:
 1. Does the use of the competitor bid information violate the principles of justice?
 2. Which alternative is consistent with the principles of justice?
 3. Does inside information destroy the fairness of the competitive bidding process?

What Are the Practical Constraints?

1. What are the legal ramifications of obtaining competitor information in this manner?
2. Will the competitors catch on if Wood Truss continues to get all the big jobs?
3. When such practices typify an industry, should one person "rock the boat"?
4. What are the dangers in blowing the whistle?

What Actions Should Be Taken?

1. What actions should Tom take?
2. What ethical theories should guide Tom in his decision?