

Phantom Expenses Teaching Notes

What Are the Relevant Facts?

1. Jane is a new sales rep on the East Coast.
2. Ann is providing field training for Jane.
3. All of the sales reps pad their expense accounts.
4. Ann is trying to convince Jane to comply with the agreed-upon padding scheme.

What Are the Ethical Issues?

1. Should Jane expose the expense-padding practice of the sales reps?
2. What obligation does Jane have to her fellow sales reps?
3. What obligation does Jane have to her company?

Who Are the Primary Stakeholders?

- Jane
- Other sales reps
- Company management
- Company stockholders

What Are the Possible Alternatives?

1. Join the crowd and pad the expense account by 25 percent.
2. Report her expenses accurately and let the cards fall where they may.
3. Report the padding practice to management.
4. Resign from the company.

What Are the Ethics of the Alternatives?

- Ask questions based on a “utilitarian perspective” (costs and benefits).
 1. Which alternative would provide the greatest benefit?

2. Who would incur costs and who would benefit from each alternative?
3. What are the costs of expense-account padding to each of the stakeholders?

- Ask questions based on a “rights” perspective.
 1. Does the firm have a right to expect accurate expense vouchers?
 2. Which alternative provides the greatest “rights” support?
 3. Do employees have a right to pad expenses because they work long and hard hours?
- Ask questions based on a “justice” perspective (benefits and burdens).
 1. Do the sales reps have a just claim to the extra benefits?
 2. Which alternative provides the best distribution of benefits and burdens?
 3. Does expense-account padding treat fairly all the stakeholders?

What Are the Practical Constraints?

1. What will exposing all the other reps do to Jane’s working relationships?
2. Will an exposure lead to retaliation by the other reps?
3. As a new employee, does Jane have the credibility to blow the whistle?

What Actions Should Be Taken?

1. What actions would you take if you were Jane?
2. How would those actions affect your career?
3. What ethical theories would you base your action upon?