

I Spy: A Case of Competitive Espionage Teaching Notes

What Are the Relevant Facts?

1. Deception is being suggested to get the Hiyota sales rep to snake a sales call and give out product information.
2. Using deception to obtain competitive product information is a common practice. Some firms initiate security procedures to prevent information from leaking out.
3. Competitive product information influences the decision about which product features to offer to the public. Thus, the information obtained via deception may influence the profitability of BEC and Hiyota.
4. Lynn is an employee of a consulting firm. Her actions reflect on her firm and influence the relationship between BEC and her firm.
5. Lynn feels uncomfortable about the action she has been asked to take.

What Are the Ethical Issues?

1. Is deception ever appropriate? Is an action less unethical if the action is a generally accepted industry norm?
2. Does Lynn have an obligation to provide full information about her intentions when requesting a sales presentation?
3. Does Lynn have a professional obligation as an employee and a consultant to undertake actions to improve the financial positions of her employer and client? Note: This conflicts with the preceding "obligation"
4. Does a company have the right to ask an employee to perform an act that she believes is unethical even though it is legal and consistent with industry norms?
5. Do the firms involved have a responsibility to design their competitive activities to maximize consumer options, speed new product introductions to consumers, and minimize costs to consumers?
6. Are any acts of "corporate espionage" ever acceptable?

Who Are the Primary Stakeholders?

- Lynn

- Stockholders of Lynn's firm
- Kyle
- Stockholders of Kyle's firm, BEC
- The Hiyota sales rep
- Stockholders of Hiyota
- Consumers

What Are the Possible Alternatives?

1. Lynn can call Hiyota and request a sales presentation.
2. Lynn can refuse to call Hiyota (and perhaps suggest alternatives such as waiting until she can actually buy the Hiyota machine or trying to obtain the information from alternative sources such as trade journals, financial analyst reports, trade shows, or other people *who* legitimately received sales brochures from Hiyota).

What Are the Ethics of the Alternatives?

- Ask questions based on a "utilitarian" perspective (costs and benefits).
 1. What are the costs and benefits of each alternative? Which provides the greatest benefit?
 2. Some Benefits of Agreeing to Act:
 - Pleasing Kyle and Bob, which is good for Lynn's career
 - Encouraging future business from BBC
 - Increased profits for BEC if the information obtained results in a more popular product design, a more effective advertising strategy, etc.
 - See point 4 below for the effect on consumers.
 3. Some Costs of Agreeing to Act:
 - The opportunity cost of the sales rep
 - Lost profits at Hiyota if the information is useful to BEC
 - Potential damage to the image of the consulting firm
 - Discomfort felt by Lynn
 - See point 4 below for the effect on consumers.
 4. What are the systemic implications of competitive information gathering for consumers?
 - Timely, complete information on competitive products may speed new product

introductions and also increase consumer options and facilitate consumer choice by enabling marketers to differentiate products.

- Security procedures add to the cost of consumer products and may slow the flow of product information to legitimate customers.
- 5. Does it matter that some of the costs and benefits are consequences of Lynn's individual action (e.g., sales rep's time, profits at Hiyota and BEC, Kyle's promotion, future consulting business for Lynn's firm) but other costs are dependent on the decisions of all competitors in the industry? For example, the cost of security procedures will be borne regardless of Lynn's decision; these costs can only be eliminated if everyone in the industry practices honesty.
- Ask questions based on a "rights" perspective.
 1. What does each stakeholder have a right to expect?
 2. Does Hiyota have a right to expect sales requests to be legitimate?
 3. Does Lynn have freedom of conscience?
 4. Do clients have the right to expect consulting firms to engage in deceptive actions?
 5. Is the action consistent with Kant's categorical imperative? Is the action self-defeating if everyone follows the action (i.e., does the action only work if a limited number of people engage in the action)? Is BEC gaining a competitive advantage by gaining a free ride on Myota?
- Ask questions based on a "justice" perspective.

1. Which alternative distributes the benefits and burdens most fairly among the stakeholders?

What Are the Practical Constraints?

1. As a junior employee, it is difficult for Lynn to challenge the requests and views of her employer and client.
2. It is difficult for a firm to forgo actions that are consistent with industry norms.

What Actions Should Be Taken?

1. Is it ethical for Lynn to request a sales call from a Hiyota sales rep? Justify your answer.
2. Which alternative would you choose if you were Lynn? Why would you make that choice?
3. To what extent does the ethics of the decision depend on the amount of harm, and to what extent does it depend on the principle of being fair or moral? In other words, if you think Lynn should call Hiyota, would your opinion change if the costs were greater? Suppose it turns out that the sales rep actually lost a sale to another customer because he called on Lynn. Suppose the sales rep got fired when his employers found out that he passed out copy quality samples before he was authorized to do so. Suppose the information obtained by Lynn led BEC to alter its strategy and Hiyota experienced a huge financial failure instead of a success. This line of questioning basically asks whether the utilitarian or rights approach is more important.
4. Which ethical theories (utilitarian, rights, justice) make the most sense to you in this scenario?
5. Would the ethics change if Lynn placed an order for a Hiyota machine?