

# BUSINESS ETHICS PROGRAM

## The Propmore Corporation Case

### Management

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Arthur Andersen & Co, SC has sponsored and funded this project to promote discussion and awareness of ethical issues arising in the business world. Arthur Andersen & Co, SC takes no positions and expresses no views with respect to the myriad of ethical issues reflected in this case but hopes that users will facilitate and promote a dialogue on these important issues.

## **PROPMORE CORPORATION**

### *Overview*

Don Bradford was on the fast track at the Propmore Corporation. But he wished he could slow things down a bit, given several hard choices he had to make. Propmore Corporation was a good place to work. It had sales of about \$500 million per year, a net profit margin of 5 percent, and a return on equity of 15 percent. Propmore made several key components used by the aerospace industry and consumer goods market. It was a leader in its field. The company was organized by product divisions, each reporting to the Executive Vice-President. Its operations were decentralized, with broad decision-making capability at the divisional level. However, at the corporate level functional departments (Purchasing, R&D, Personnel, and Marketing) set company policy and coordinated divisional activities in these areas. Propmore was financially successful, and it treated its people well, as Don Bradford's experience showed.

After earning his MBA four years ago from a respected state university, Don quickly rose through the ranks in Purchasing. At age 31, he holds the prestigious position of Manager. (See organizational chart.) Before joining Propmore, Don earned a B.S. in engineering and worked for three years in the aerospace industry as a design engineer. During his first three years at Propmore, Don was a buyer and received "excellent" ratings in all his performance appraisals.

As Purchasing Manager, Don enjoyed good working relationships with superiors and subordinates. He was accountable directly to the Division General Manager and, functionally, to the Corporate Vice-President of Procurement, Mr. Stewart. His dealings with these people were always amiable and he came to count upon them for technical guidance, as he learned the role of Divisional Purchasing Manager. Don had several staff assistants who knew the business of buying and were loyal employees. He had done a good job of handling the resentment of those passed over by his promotion to manager, and he had developed a good deal of trust with the buying staff. At least he thought he had-until Jane Thompson presented him with the first in a series of dilemmas.

Jane Thompson, age 34, had been with Propmore for ten years. She had a B.A. in English Literature and two years experience as a material expeditor before coming to Propmore. Initially hired as a purchasing assistant, Jane became a buyer after two years. She enjoyed her job and the people she worked with at Propmore. In four years of working with Don, Jane had come to admire and respect his approach to management. She appreciated his sensitive yet strong leadership and saw him as an honest person who could be trusted to look after the interests of his subordinates.

But the dilemma with which Jane now presented Don made him wonder whether he had the skill to be a manager in a major division.

## **PROPMORE CORPORATION**

### **SITUATION I**

#### *A Luncheon Harassment*

After a two hour purchasing meeting in the morning, Bill Smith, an Airgoods Corporation Sales Representative, had invited Jane Thompson to lunch. They left at noon. An hour and a half later,

Jane stormed into Don Bradford's office, obviously upset. When Don asked what was wrong, Jane told him in very strong terms that Bill Smith had sexually harassed her during and after the luncheon. According to Jane, Bill made some sexual comments and suggestions toward the end of the meal. She considered this to be offensive and unwelcome. Jane, however, told Bill to take her back to the office. He attempted to make light of the situation and said he was only joking, but on the way back he made some further comments and several casual physical contacts to which she objected. When they arrived at the company, Bill was embarrassed and tried to apologize. But Jane entered the office before he could finish.

Jane demanded that the Airgoods Corporation be taken off the bidder list for the raw material contract and that Airgoods' President be informed of the unseemingly and illegal behavior of one of his salesmen. She would also consider taking legal action against Bill Smith through the Equal Employment Opportunity Commission for sexual harassment. Also, Jane stated she would investigate suing the Propmore Corporation for failure to protect her from this form of discrimination while she was performing her duties as an employee of the company. At the end of this outburst, Jane abruptly left Don's office. Don was significantly troubled. Jane played a critical role in getting bids for the raw material contract. He needed her. Yet he knew that if he kept Airgoods on the bidder list, it might be difficult for her to view this vendor objectively. Don was somewhat concerned about Jane's threat to sue Propmore but doubted that she had a very good case. Still, such an action would be costly in legal fees, management time, and damage to the company's image.

Don wasn't sure what to do about the bidder list. Airgoods had an excellent record as a reliable vendor for similar contracts. Propmore might be at a disadvantage if Airgoods was eliminated. On the other hand, Don firmly believed in standing behind his subordinates. At this point, he needed more information on what constitutes sexual harassment and what policy guidelines his company had established. He examined two documents: the EEOC Definition of Sexual Harassment (Appendix 1) and the Propmore Corporation's Policy HR-13, on Sexual Harassment (Appendix 2).

## **APPENDIX 1 SITUATION I**

### **EQUAL EMPLOYMENT OPPORTUNITY COMMISSION DEFINITION OF SEXUAL HARASSMENT**

“Unwelcome sexual advances, requests for sexual favors and other verbal or physical contact of a sexual nature constitute sexual harassment when (1) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, (2) submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual, or (3) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment.”

“Applying general Title VII principles, an employer, employment agency, joint apprenticeship committee or labor organization (hereinafter collectively referred to as ‘employer’) is responsible for its acts and those of its agents and supervisory employees with respect to sexual harassment regardless of whether the employer knew or should have known of their occurrence.”

*-- EEOC guideline based on the Civil Rights Act of 1964, Title VII*

**APPENDIX 2  
SITUATION I**

**THE PROPMORE CORPORATION POLICY HR-13**

**POLICY AREA:** Sexual Harassment

**PURPOSE:** The purpose of Policy HR-13 is to inform employees of the company that The Propmore Corporation forbids practices of sexual harassment on the job and that disciplinary action may be taken against those who violate this policy.

**POLICY STATEMENT:** In keeping with its long-standing tradition of abiding by pertinent laws and regulations, The Propmore Corporation forbids practices of sexual harassment on the job which violate Title VII of the Civil Rights Act of 1964. Sexual harassment on the job, regardless of its intent, is against the law. Employees who nevertheless engage in sexual harassment practices face possible disciplinary action which includes dismissal from the company.

**POLICY IMPLEMENTATION:** Those who wish to report violations of Policy HR-13 shall file a written grievance with their immediate supervisors within two weeks of the alleged violation. In conjunction with the Legal Department, the supervisor will investigate the alleged violation and issue his or her decision based upon the findings of this investigation within 30 days of receiving the written grievance.

## **PROPMORE CORPORATION SITUATION II**

### *Gathering More Information*

Don Bradford had met Bill Smith, the Airgoods Corporation Salesman, on several occasions but did not feel he really knew him. To learn more about Bill, Don talked with his other key buyer, Bob Peters. Bob had dealt with Bill on many contracts in the past. After Don finished recounting the incident concerning Jane, Bob smiled. In his opinion, it was just a “boys will be boys” situation that got blown out of proportion. It may have been more than a joke, but Bob did not think Bill would do something “too far out.” He pointed out that Bill had been selling for ten years and knew how to treat a customer.

Don’s next step was a visit to the division personnel office. In addition to going through Jane’s file, he wanted to discuss the matter with Ann Perkins, the division’s Human Resource Manager. Fortunately, Ann was in her office and had time to see him immediately.

Don went over the whole situation with Ann. When he had finished his account, Ann was silent for a minute. Then she pointed out that this was a strange sexual harassment situation: it did not happen at the company, and the alleged harasser was not a member of the Propmore organization. The extent of the company’s responsibility was not clear.

She had heard of cases where employees held their companies responsible for protecting them from sexual harassment by employees of other organizations. But the harassment had taken place on company premises, where some degree of direct supervision and protection could have been expected.

Ann filled out a slip authorizing Don to see Jane’s personnel file. He took the file to an empty office and went through its contents. There were the expected hiring and annual evaluation forms, which revealed nothing unusual and only confirmed his own high opinion of Jane.

Then Don came to an informal note at the back of the file. It summarized a telephone reference check with the personnel manager of Jane’s former employer. The note indicated that Jane had complained of being sexually harassed by her supervisor. The personnel manager had “checked it out” with the supervisor, who claimed “there was nothing to it.” The note also indicated that Jane was terminated two months after this incident for “unsatisfactory work.”

Don returned to his office and called his functional superior, Mr. Stewart, to inform him of the situation. Mr. Stewart was the Corporate Vice-President of Procurement. He had known Bill Smith personally for a number of years. He told Don that Bill’s wife had abandoned him and their three children several years ago. Although Bill had a reputation for occasional odd behavior, he was known in the industry as a hard-working salesperson who provided excellent service and follow-through on his accounts.

## **PROPMORE CORPORATION SITUATION III**

### *A Telephone Call*

Don felt he needed even more information to make a thorough investigation. He contemplated calling Bill Smith. In fairness to Bill, he should hear his version of what happened during the luncheon. But he knew he was not responsible for the actions of a non-employee. Furthermore, he wondered if talking to Bill would upset Jane even more if she found out? And would it be a proper part of an investigation mandated by company policy?

As Don considered his options, the phone rang. It was Bill Smith's boss, Joe Maxwell. He and Bill had talked about the luncheon, he said, and wanted to know if Jane had reported anything. "Don, I don't know what you know about that meeting," said Joe, "but Bill has told me all the facts, and I thought we could put our heads together and nip this thing in the bud." Don wasn't sure if this call was going to help or hinder him in his decision making. At first, he felt Joe was trying to unduly influence him. Also, he wasn't sure if the call was a violation of Jane's right to confidentiality. "Joe, I'm not sure we should be discussing this matter at all," said Don. "We might be jumping the gun. And what if Jane..."

"Wait, wait," Joe interrupted. "This thing can be put to rest if you just hear what really happened. We've been a good supplier for some time now. Give us the benefit of the doubt. We can talk 'off the record' if you want. But don't close the door on us."

"Okay," said Don, "let's talk off the record. I'll hear Bill's version, but I won't reach a conclusion over the phone. Our policy requires an investigation, and when that's complete, I'll let you know our position." "Gee, Don;" said Joe, "I don't think you even need an investigation. Bill says the only thing that went on at lunch was some innocent flirtation. Jane was giving him the old 'come on,' you know. She was more than friendly to him, smiling a lot and laughing at his jokes. Bill saw all the signals and just responded like a full blooded male."

"You mean Jane was the cause of his harassing her?" Don asked.

"No, he didn't harass her," Joe said with urgency in his voice. "He only flirted with her because he thought she was flirting with him. It was all very innocent. These things happen every day. He didn't mean any harm. Just the opposite. He thought there was a chance for a nice relationship. He likes her very much and thought the feeling was mutual. No need to make a federal case out of it. These things happen—that's all. Remember when you asked out one of my saleswomen, Don? She said 'no,' but she didn't suggest sexual harassment. Isn't this the same thing?"

"I don't know. Jane was really upset when she came to me. She didn't see it as just flirting that went on," said Don.

"Come on, Don," insisted Joe. "Give her some time to calm down. You know how women can be sometimes. Maybe she has PMS. Why don't you let things just settle down before you do anything rash and start that unnecessary investigation? I bet in a couple days, you can talk to Jane and convince her it was just a misunderstanding. I'll put someone else on this contract, and we'll forget the whole thing ever happened. We've got to think about business first, right?"

Joe Maxwell's phone call put things in a new light for Don. if it was only innocent flirtation, why should good relations between Propmore and Airgoods be damaged? Yet he knew he had an obligation to Jane. He just wasn't sure how far that obligation went.