MBA 8111 Business Ethics

Experiential Activity

Two Actual Business Ethics Dilemmas
Business Ethical Dilemma One
The Background
In my previous life, I worked for a consulting company. Clients hire the company to come into their organizations to implement a new program, solve a problem or remodel their business strategy and each of these efforts is referred to as a project. Each project operates like a small business and is responsible for maintaining a budget and bringing in a certain amount of net income for the consulting company. For most employees, individual performance is not based on the amount of net income brought in by the project on which they work. For higher-ranking employees, however, performance is evaluated based on the net income brought in from projects for which they are responsible.

A project team is compiled of consulting company employees based on the project requirements. Sub-contractors are hired, where needed, to fill gaps for positions in which consulting company employees do not have the required skills. Project pricing plans vary by the type of project and are agreed upon by the client and leadership from the consulting company in the project contract. In most cases, the consulting company is paid based on time and materials. This means that consulting company employees report their time worked to the client and the client pays the project based on those hours and the price per employee that was agreed upon in the contract. The consulting company employees also report their time to the consulting company and are paid based on their salary, which remains the same no matter how much the contract states that the client is paying for their work on the project.

Because high-ranking consulting company employees are assessed based on the project’s net income, it is in their best interest to negotiate a contract that allows the project to receive more for each employee’s hours worked than the hourly wage that the consulting company pays the employee based on his or her salary.
In almost all cases, it is agreed upon in the contract between the client and the consulting company that the project will not receive compensation for time that consulting company employees work beyond 40 hours per week. Therefore, consulting company employees are only able to log a maximum of 40 hours per week when reporting their time to the client and the project only receives payment for up to 40 hours per employee per week.

The hours that a consulting company employee reports to the consulting company are used not only to determine how much the project should be charged for the time that employee worked on that specific project (as compared to other projects, activities or paid time off), but also to create pricing models for future projects that are similar. Therefore, it is company policy and consulting company employees are encouraged by corporate leadership and the human resources department to report their actual hours worked, rather than simply reporting a maximum of 40 hours per week.

When I first started working for the consulting company, we were compensated for overtime if we worked 90 hours or more in a two week period (i.e. 10 or more hours of overtime). We were able to report this time internally (to our own company) and receive 150% of our normal hourly compensation for the extra hours worked. The project still only received payment from the client for the 40 hours that the consulting company employee worked, therefore the net income earned from any employee that reported working overtime decreased.

Not long after I was hired- around 2009- the consulting company decided that they would no longer pay employees for overtime. No matter how many hours reported on a timesheet, each employee only received compensation for 40 hours. Based on the company policy, though, employees were still requested to report the actual number of hours worked each week in order to create realistic pricing models for future projects. A project was charged for the total number
of hours each employee reported to the internal reporting system, even if the total exceeded 40, despite the fact that they were not able to charge the client for the extra hours and the employee did not receive any additional compensation.

The Dilemma
In 2010 I joined the Project Management Office (PMO) team for a large project at a telecommunications company. The consulting company was contracted to implement a new software system related to the telecom company’s billing process and when I joined, about a year into the project, we were way behind the expected timeline for the implementation. The client was complaining to the high-ranking executives from the consulting company, who were putting a lot of pressure on the consulting company’s project leadership to make progress on the implementation as well as to keep costs down. Project leadership was then pressuring team leads, who were asking employees to work 60 to 80 hours per week to catch up to where the client expected us to be. Without directly being asked to disobey company policy, we were all encouraged to report only 40 hours each week with the threat that if we reported more, project costs would be so high that the consulting company might shut down our project and that would be bad for everyone.

As part of the PMO team, I was responsible for reviewing our team’s timesheets (both internal and external) and expense reports and creating the monthly invoice for the client. I was instructed to review the timesheets and ensure that no one on our project was reporting more than 40 hours to either the client or the consulting company. If I noticed anyone reporting more than 40 hours per week in either system, I was told to let my manager know, who would then report it to the project executive.

As I reviewed my first set of timesheets, I noticed that one project team member reported over 100 hours per week during the month for which I was creating the invoice. I knew how much his
team was working, and that what he was reporting was not an unrealistic number. This was one of my first projects with the company and I was only an analyst, the lowest-ranking employee on the project team. I was conflicted because while the consulting company’s policy dictated that we should be reporting the actual hours worked, it did not make sense to me that our project would be charged for the hours, but the client would not be billed for them and the employee would not receive any additional compensation. Therefore the only immediate result of consulting company employees reporting actual hours worked was that our project’s net income would decrease and I did not want our project to be terminated because of this.

What should I do at this point?

**Business Ethical Dilemma Two**

**The Background**
I worked in the Customer Service Department for a large pharmaceutical company. It was not a very glamorous job and in order to try to keep turnover down, the company paid employees extremely competitively and offered above-average health benefits and vacation time. That being said, we were under a lot of pressure from our managers to keep call times down and increase productivity related to other daily activities. Because of budget cutbacks, none of us were receiving promotions or raises. Meanwhile team managers were being recognized, promoted and rewarded for our overall team performance. Most of the employees were extremely unhappy and were looking for other opportunities within and outside of the company.

**The Dilemma**
Mark was the one Customer Service employee who was extremely satisfied with his situation in the department. He was the younger brother of the department director, Steven. Mark arrived late to work almost every day and often made loud, personal phone calls during the time in which he should have been logged in to receive customer calls. He also called out of the office five to ten
times per month, taking advantage of the fact that there was not a formal process in place to track vacation days.

Despite his poor work ethic and attendance, Mark regularly received above average performance ratings because Mark’s managers reported to his brother Steven and were afraid that if they were hard on Mark in his performance reviews Steven, in turn, would be hard on them.

As time went on, the other employees in the department and I were growing more and more frustrated with the favoritism shown toward Mark. We were upset that there was no one in the department to whom we could report the situation because our managers were so afraid of crossing Steven. Reporting the situation to Steven himself was risky because not only would he probably not reprimand his own brother, but he might also hold it against the employee who made the report. The other employees and I were also frustrated because we were forced to pick up Mark’s slack when he was out of the office or spending company time on personal projects and conversations.

What should my co-workers and I do at this point?
What Actually Happened
Dilemma One
I let my manager know that one of the members of our project had reported more than 40 hours per week. She reported it to our project executive, who spoke with the project member and asked him to only report 40 hours per week. The project member remained extremely adamant about following company policy and reporting the actual number of hours worked each week. I was still thoroughly confused about the situation. Unfortunately, before this issue could be fully resolved the telecommunications company went through a restructuring and a new Chief Information Officer decided that he did not want to implement the new billing system that we were working on. The project was terminated by the client and we were all required to find new roles. Though I served in similar PMO roles before I left the company, I did not face this issue again.

Dilemma Two
Eventually, my co-workers and I became so frustrated with Mark that, as a group, we tracked the number of days he was out of the office and how much time he wasted each day. After documenting Mark’s behavior for months, we sent the information and a claim that this was a case of blatant nepotism to the anonymous whistleblowing email address that was maintained by Human Resources (HR). HR acknowledged the report and claimed that they would investigate the issue. This process took so long that by the time HR really started looking into things, Steven had been promoted to another role in a different department within the same business unit of the company. HR determined that this was not a case of nepotism because Mark did not report directly to anyone in Steven’s chain of command and no further action was taken. Meanwhile, Mark’s managers continue to allow his behavior because they do not want to upset Steven even though they no longer report to him directly. I no longer work for the company, but based on
recent conversations with former co-workers, it sounds like Mark is still up to the same old tricks.