

Philosophical Underpinnings of Approach to Ethical Dilemmas: Study of Indian Managers

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These days we need not strain ourselves to gather examples of unethical business conduct, erosion of values and moral delinquency in business settings. What is that the managers draw from while taking a decision in the face of ethical dilemmas? This study investigates in to the ethical theories relied on by Indian managers when faced with ethical dilemmas in business settings. The study reveals valuable and interesting patterns in the deployment of ethical theories by the Indian Managers across ethical dilemmas varying in moral intensity.

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Introduction

When facing a moral dilemma what is the right thing to do? The question progressively acquires the central position in business settings. A search for a satisfactory answer to this question, leads us to a more fundamental question. What moral philosophies are being relied upon by business managers while they face a moral dilemma? The question is more fundamental because it would help us understand why certain ethical dilemmas are considered important by some managers and not so important by others. It would also help us understand the underpinnings of a particular decision of a manager facing a moral dilemma.

This paper examines the role played by various ethical theories in the decision making of Indian business managers when faced with ethical dilemmas. The study adopts the multidimensional ethics scale approach of analyzing the decision making process of managers. This scale has been widely utilized in many researches. However, studies attempting to unearth the philosophical underpinnings of the unethical/ethical de-

cision making of Indian managers have been very scarce. The study in hand fills this gap. Further, the three scenario and the scale to be utilized in the study, were developed to reflect the Indian realities with a sharp focus.

Ethical Theories

Utilitarianism: This draws heavily from the works of Hume, Bentham (1789, 1973), Mill (1861, 1969), Sidgwick (1874) and more recently Harsanyi (1955, 1975). It suggests promoting overall human welfare in such ways as to result in the greatest net, beneficial minus harmful, consequences. According to utilitarianism an act is ethically right if it leads to a net increase in the overall good; and it is ethically wrong if it leads to a net decrease in the overall good.

Egoism. The normative perspective of this moral philosophy prescribes that people ought to act in their self-interest, exclusively. The only obligation of a person is to enhance his or her own long-term welfare and commitments to others are not binding. One should go back on these commitments if they cease to be advantageous to him (Beauchamp & Bowie, 2004).

Justice. Plato, Aristotle and Socrates are some of the earliest philosophers to have pondered over the question of justice. The idea of distributive justice reflects clearly in the observation of Rawls (1999) that "Each person possesses an inviolability founded on justice that even the welfare of society as a whole cannot override".

Contractualism has been defined by Scanlon (1998) as an account of moral reasoning. Contractualism is named after the conception that governs it. This concept views morality as the result of an imaginary-not actual- (Carruthers, 1992) contract between rational agents who agree upon rules to govern their subsequent behavior.

Relativism. Ethical relativists hold that all ethical beliefs and values are relative to one's culture, feelings, or religion and that there can be no rational, objective basis for a moral judgment. No action is universally right or wrong. The argument of relativism finds apt reflection in the opinion of Wong (1984) that "One of the gravest normative problems with which we must deal is the existence of deep and apparently irresolvable moral disagreements."

Procedure

We developed three scenarios which were presented to the respondents. Each scenario depicted an ethical dilemma. At the end of each scenario was an action statement. This statement depicted the action taken by the main protagonist in the scenario. After the respondent had gone through the scenario and the action statement, he/she was presented with a questionnaire which contained items representing various ethical theories discussed above and the respondent had to evaluate the action statements of the scenarios against each of the items of the questionnaire on a Likert scale.

The questionnaire

The questionnaire used in our study is a multidimensional ethics scale developed by Reidenbach and Robin (1986). It represents the “evaluative criteria” that individuals use in making a moral judgment (Reidenbach & Robin, 1995). It assumes that more than one rationale is used when making an ethical judgment by an individual (Clark & Dawson, 1996). Reidenbach and Robin (1986) initially developed a 33-item multidimensional ethics scale (MES) based on five ethical theories: justice, deontology, relativism, utilitarianism and egoism to measure moral reactions of people. The 33-item scale was later refined into a more parsimonious 8-item scale in Reidenbach and Robin (1990). Multidimensional ethics scale (MES) has been used in several different empirical studies like Reidenbach and Robin, 1988; Cohen et al., 1993; Cruz et al., 2000; Kujala, 2001; and Tsalikis and Nwachukwu (1988)

Cohen et al. (1993) suggested to construct and validate R&R’s original multidimensional scale for each application. Kujala’s (2001) investigation of Finnish business manager’s moral decision-making utilized a scale developed by comparing the scales used in six previous studies and dropped a number of items representing each of the moral philosophies and rephrased some items or amalgamated items to suit Finnish circumstances. We followed a similar process to adopt the scale for Indian sensitivities. For this purpose we referred the 33-item R&R scale to a group of five Professors and Research scholars drawn from the faculty of philosophy and

linguistics. They were also detailed the procedure adopted by Kujala (2001) in amending the scale. The group primarily recommended deleting some items and amalgamating some others, apart from rephrasing a few. The scale developed by incorporating these recommendations was put for pre-testing amongst 40 students of management in Delhi University. Based on the inputs from the students a few items were again rephrased and the scale so finally developed was used for the present study. The questions used in the present study can be seen at Appendix 1

Scenarios

Three scenarios depicting ethical dilemmas faced by the Indian managers were utilized for the study. The three scenarios can be seen at Appendix II. The scenario method of collection of data has been utilized in numerous business ethics studies in the past e.g. Fritzche and Becker (1984), Reidenbach and Robin, 1988; Cohen et al, 1993, Chonko and Hunt, 1985.

Deployment of the three scenarios, however, cropped up a possibility that the ethical dilemma being depicted in each scenario was being felt with different intensity. We could not find any previous study taking care of this factor. But we wanted to have an estimate of the degree of social consensus or disagreement about the intensity of the ethical dilemma in our three scenarios in the Indian context. Jones (1991) had argued that moral intensity has six components. Out of these six components, social consensus is defined as the “degree of social

agreement that a proposed act is evil (or good)” (Jones, 1991). The construct has been amply examined in previous studies and some studies like McMahon & Harvey (2006) state it to be the most robust of all the six components. Therefore we utilized the concept of social consensus (SC) as brought out in the theory of moral intensity. For tapping the social consensus we used a single statement: “most people would agree that the action is wrong” as suggested by Singhapakdi et. al (1996). This scale has been used in numerous studies including Valentine and Silver (2001), Frey (2000) etc. Each of the respondents rated the item on a Likert scale of 1 (Strongly Disagree) to 7 (Strongly Agree). For calculating the social consensus about any scenario, the simple average of the rating by all the respondents was calculated.

The Sample

We intended to capture the moral philosophies tapped by the managers in taking decisions on moral dilemmas faced by them. Life circumstances are believed to influence the values of an individual but this process takes time. Therefore we tried to reach out to the managers who have spent at least 15 years of service in any industry. The survey was conducted during July, 2013 and February, 2014. Using multiple channels like email, handing out the surveys during the Management Development Programs, a total of 1100 surveys were distributed amongst executives working in private organizations. Out of the surveys distributed, 523 were received back with responses. 21 questionnaires were rejected due to in-

complete information of demographic profile and missing data of variables under study. Seven responses were rejected as they reflected extreme responses on all items of the questionnaire which indicated non-serious responses. Therefore, finally 495 surveys were utilized for data analysis.

Out of the data analyzed, 64.6% respondents were males. 72% were between the age of 40 and 45 years and 28% were aged between 45 and 55 years. 98% had professional academic qualifications. Only about 12% had monthly income below Rs1,50,000/-. Only 9% of the respondents were working in organizations employing less than 50 people.

Data Analysis

We intended to unearth the dimensions which underlie the decisions of Indian managers facing an ethical dilemma and therefore it was decided to factor analyze the responses of the managers on the multidimensional ethics scale. To obtain cleaner factor solutions, we used Principal Component Factor analysis using varimax rotation. The adequacy of sampling used was tested using KMO measure. KMO over .90 is considered marvelous, those over .80 meritorious, over .7 as middling and over .6 as mediocre. Those below 0.5 are unacceptable (Norusis, 1988)

Road Side Assistance Dilemma

At the starting, a reliability analysis was conducted and based on low correlations two contractualism, one utilitarian and one relativistic items were removed.

All these items had item-total correlations lower than 0.20. The Cronbach's alpha for the scale after removing these 4 items was 0.872. This left us with 9 items. After removing the items in the reliability analysis, those which correlated negatively were turned and the factor analysis was then conducted with the remaining items. Two factors emerged. Table 1 depicts the factors along with factor loadings etc. The first factor consisted of 7 items: and the second factor consisted of two utilitarian items.

Cruz et.al (2000) suggest that the term "dimension" is used when we re-

fer to the factor loadings in empirical data involving the combination of items representing the ethical theories. Many, like Kujala (2001) utilize the same argument. We continue to adopt the practice and therefore we propose that the two factors which emerge in the given scenario be named as: First Factor "Broad Based Moral Equity Dimension" and the second factor: Utilitarian Dimension.

The social consensus component of the moral intensity of the scenario was calculated as indicated above. The same was found to be 6.16.

Table I Moral Dimensions in the Road Side Assistance Dilemma

Component	1	2
"The action is Just," (J)	0.913	
"The action is Fair", (J)	0.876	
"The act is Generally acceptable in India" (R)	0.851	
"The act is Acceptable to my family" (R)	0.741	
"The act is in accordance with a CEOs role". (R)	0.721	
"The CEO acted in a morally right manner (C)"	0.713	
"The act leads to efficiency" (U)		0.842
"The act is acceptable based on its consequences" (U)		0.746
"The act is Selfish," (E)	0.697	
Eigen value	5.32	2.76
Percentage of variance explained	44.36	23.01
KMO=.869		

Recruitment Dilemma

After the reliability analysis, due to low correlations one contractualism item was deleted: "The CEO acted in a morally right manner" (C). This apart, two utilitarian items had also to be removed: "The act leads to maximal benefit for society" (U); and "The act produces greatest utility," (U). These three items had item-total correlations lower than 0.15. The Cronbach's alpha for the

scale after removing the 3 items was 0.845. After removing the items in the reliability analysis and turning the items which correlated negatively the factor analysis was carried out. Three factors emerged which are depicted in Table 2. The first factor consisted of 6 items. The second factor contained three items and The third factor contained two utilitarian items. Recollecting the reason to use the term "dimension" as we indicated above, we named the three factors as:

first factor: Relativistic-Contractual Dimension, second factor: Moralistic-Egoistic Dimension; and the third factor: Utilitarian Dimensions. The social consensus component of the moral intensity of the scenario was calculated as in the previous case. The same was found to be 5.66.

Table 2 Moral Dimensions in the Recruitment Dilemma

Components	1	2	3
“The action is Fair”, (J)		0.812	
“The act is Generally acceptable in India” (R)	0.891		
“The act is Acceptable to my family” (R)	0.843		
“The act is acceptable to me in my Individual capacity” (R)			
“The act is in accordance with a CEOs role”. (R)	0.815		
“The act violates and unwritten contract” (C)	0.756		
“The act violates and unspoken contract” (C)	0.732		
“The CEO is Obligated to act this way” (C)	0.801		
“The act leads to efficiency” (U)			0.891
“The act is acceptable based on its consequences” (U)			0.763
“The act is Selfish,” (E)		0.741	
“The act is in the best interest of the company” (E)		0.733	
Eigenvalue	3.97	2.92	1.15
Percentage of variance explained	30.57	22.49	8.85
KMO=.873			

Tax Officer Bribing Dilemma.

We first undertook a reliability analysis. After the reliability analysis, due to low correlations two contractualism items were deleted; “The act violates and unwritten contract” (C), and “The act violates and unspoken contract” (C). This apart, one Relativism item had also to be removed: “The act is in accordance with a CEOs role” (R). All these three items had item-total correlations lower than 0.15. The Cronbach’s alpha for the scale after removing the 3 items was 0.921. After removing the items in the reliability analysis and turning the items which correlated negatively the factor analysis was carried out. Three factors emerged which are depicted in the Table 3. The first factor consisted of four

items, The second factor and the third factor also contained four items. These three factors can be named as: first factor: Moralistic Dimension, second factor: Relativistic Contractual Dimension; and third factor: Utilitarian Egoist Dimension. The social consensus component of the moral intensity in this scenario was found to be 5.33.

Moral Intensities of the Scenarios.

The scores of social consensus component of the moral intensities of the three Scenarios have been calculated and tabulated for convenient reading (Table 4).

To find out if the difference in the social consensus about the moral intensity was statistically significant we con-

Table 3 Moral Dimensions in the Sales Tax/Excise Officer Bribing Dilemma

Items	1	2	3
“The action is Just,” (J)	.903		
“The action is Fair”, (J)	.832		
“The act is Generally acceptable in India” (R)		0.842	
“The act is Acceptable to my family” (R)		0.756	
“The act is acceptable to me in my Individual capacity” (R)		0.713	
“The CEO is Obligated to act this way” (C)		0.695	
“The CEO Acted in a morally right manner”. (C)	.732		
“The act leads to efficiency” (U)			0.832
“The act is acceptable based on its consequences” (U)			0.811
“The act Produces greatest utility,” (U)			0.703
“The act is Selfish,” (E)	.806		
“The act is in the best interest of the company” (E)			0.635
Eigen values	4.32	2.42	1.97
Percentage of Variance explained	33.26	18.63	15.17
KMO=.897 (acceptable)			

Table 4 Social Consensus on Scenarios

S. No.	Scenario depicting Ethical Dilemmas.	Social Consensus on Moral Intensity
1	Bribing of Sales Tax/Excise Officer	6.16
2	Road Side Assistance program	5.66
3	Recruitment of the Marketing Manager	5.33

ducted ANOVA. We found that the difference was indeed significant as $F(2, 1482) = 166.07, p = <.001$

Discussion

Our study is intended to explore the interplay of various ethical theories in the Indian managers' decision making while they faced ethical dilemmas. A prominent thread which appears in our results is that the Indian managers deploy a number of ethical theories in their decision making. However, like many other previous studies (Kujala, 2001) utilitarianism seems to be playing an important role in the Indian managers' decision making. In fact in our recruitment dilemma and road side assistance dilemma, pure utilitarian dimen-

Utilitarianism seems to be playing an important role in the Indian managers' decision making.

sions emerged. In the third scenario also i.e. sales tax/excise officer bribing dilemma, there was a utilitarian dimension albeit not a pure one. But even then three out of four items which loaded onto this dimension were utilitarian and all the three utilitarian dimensions loaded more strongly than the fourth item. Therefore, our study reiterates what has been previously found in other settings in other countries that, perhaps, the life circumstances of those working in the corporate environment for a considerable period of time tend to develop a strong utili-

tarian instinct while taking decisions relating to ethical dilemmas.

The second interesting aspect of our results emerges on simultaneous reading of the factors for all the scenarios. But before we do that we need to realize certain differences between the three scenarios. It is seen that in sales tax/excise officer bribing scenario the case is that of outright, illegal, corruption. Paying illegal money to government officials is an offense in India as per the statutes and the parties involved in it might be prosecuted under the law. In contrast to this, in the road side assistance scenario, though the salesmen are omitting an important part of information before selling the program to its buyers, this is not as clear cut illegal action as that of bribery as he is concealing only that information which is not directly related to the terms and conditions of service. Thus, we suspect that the two dilemmas may have differed in terms of intensity of the unethical behavior. This suspicion got confirmed in the different social consensus scores of the two scenarios. The score for sales tax/excise officer bribing scenario is 6.16 and for the road side assistance scenario the score is 5.66.

Indian managers tend to be clearer about their approach to the dilemma and purer moral dimensions emerge in their thinking.

Having noted this difference now we notice that in the road side assis-

tance scenario, the dimension of ethical decision making of the managers is depicted in two factors. One of these is a complex dimension containing justice, relativity and contractualism items. But as we proceed to the outright illegal/corruption scenario of bribing sales tax/excise officer, this one complex dimension splits into two rather clear cut dimensions, one being predominantly moralistic and the other being predominantly relativistic. It seems that, in more sharply defined ethical dilemmas, Indian managers tend to be clearer about their approach to the dilemma and purer moral dimensions emerge in their thinking.

Third important inference from our results is that while relativistic is an important thread in the ethical decision making of Indian managers, as we moved from scenarios with least moral intensity to the highest moral intensity and examined the first dimension of ethical thinking deployed by managers while facing each of the scenarios, we found that, in the top three items of the first dimension, there were 3, 1 and nil relativistic items in the case of scenario with least moral intensity (5.33), medium moral intensity (5.66), and highest moral intensity (6.16), respectively. This apart, as we moved from scenarios with least moral intensity to highest moral intensity, the proportion of relativistic items in the first dimension decreased steadily from 50% (3/6), 42.85% (3/7) and nil (0/5) respectively. This shows a decreased reliance of the Indian managers on relativistic thinking as the dilemma becomes ethically more intense.

Conclusion

To conclude about the philosophical underpinnings of Indian managers from the study it can be said with fair amount of confidence that they deploy a number of ethical philosophies in dealing with ethical dilemma at workplace. However as the dilemmas grow in moral intensities, clear factors tend to emerge in the philosophies being deployed by Indian managers. It was also found that while the philosophical underpinnings of Indian managers almost always have utilitarian instincts like in many other studies in other times and other countries, Indian managers tend to rely lesser on relativistic thinking as the ethical dilemma becomes more intense.

Limitations & Future Research

We have deployed three scenarios to study the theories underlying the Indian managers in deciding upon ethical dilemmas. It would be interesting to undertake a deeper study of each dilemma by creating slight variations of each dilemma and examining the pattern that emerges in managerial ethical decision making. Further, our study involved a sample consisting of a wide array of industry as suited to our objective but it might also be revealing to undertake an in-depth sectoral study for each type of dilemma. Such a study could have valuable practical implications.

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Appendix 1 (Multidimensional Ethics Scale Questionnaire)

- “The action is Just,” (J)
 - “The action is Fair”, (J)
 - “The act is Generally acceptable in India” (R)
 - “The act is Acceptable to my family” (R)
 - “The act is acceptable to me in my Individual capacity” (R)
 - “The act is in accordance with a CEOs role”. (R)
 - “The act violates and unwritten contract” (C)
 - “The act violates and unspoken contract” (C)
 - “The CEO is Obligated to act this way” (C)
 - “The CEO Acted in a morally right manner”. (C)
 - “The act leads to efficiency” (U)
 - “The act is acceptable based on its consequences” (U)
 - “The act leads to maximal benefit for society” (U)
 - “The act Produces greatest utility,” (U)
 - “The act is Selfish,” (E)
 - “The act is in the best interest of the company” (E)
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Items of the Questionnaire used in the study. (Letters in brackets indicate the Ethical philosophy represented by the Item. J=Justice, R=Relativism, C=Contractualism, U =Universalism, E=Egoism.

Appendix-II(Three Ethical Dilemma Scenarios)

SCENARIO-I (Bribing Sales Tax/Excise Officer Dilemma)

It is closing time of the financial year. Company X has to get clearances from Excise and Sales Tax offices. The rules governing the Sales Tax and Excise are numerous and complicated. Excise and Sales tax officers have the power to refuse clearances on slightest deviation from rules by the company. This power, however, is used by the officers to refuse clearances to companies on trivial and flimsy grounds even if the company has followed all the rules and regulations. These officers tend not so much to ensure compliance on the part of companies as is to create a situation where the companies facing the deadline of the clearance procedure find themselves hard pressed and anxious to obtain clearances. Running a business without clearances even for a single day is sure to invite penalties. A company may, however, circumvent all these rules, regulations and obtain the clearances in a single day, by paying a fixed amount of money to these officers. This method of settling the books at the year end is well established in the region and is considered completely reliable. Government officers are even prepared to overlook slight deviations and omissions on the part of companies if this payment is made by the companies. Needless to say that the said payment to Excise and Sales tax officials is completely illegal and punishable under law. Such payment is clearly defined as a bribe in law. However, given the fact that this payment saves the company a lot of cost and time/manpower, apart from developing a good relationship with local tax officials, most CEOs opt for this illegal payment. It is once again clearance time of the year and the CEO of company “X” has to decide whether to bribe the Sales Tax/Excise officers or not.

Action: The CEO of company X decides to make this illegal payment to the Sales Tax/Excise officials

Scenario-II (Road Side Assistance Program Dilemma)

A Car dealership namely ABC Motors offers “Assistance in Emergency on the Road” program to the buyers of Brand “H” of cars from his dealership. The dealership sells the program at a discounted rate of Rs 4500/- per year if the program is purchased at the time of purchase of the car. The program is run

by the manufacturers of Brand “H” but is sold to the customers through the car dealerships at the rate of Rs 8000/- per year. The dealership may, however, provide a discount on the program. A subscriber to this program would get immediate and free assistance in case of breakdown etc. on the road 24x7 anywhere in India. The salesmen at the dealership aggressively sell the program. However, they conveniently omit telling the customers that going by the past record, only about 1.5% of cars sold require the services of the program during first 04 years of the purchase of car. In other words, the salesmen conceal from the buyers the fact that only about 2 out of 300 buyers of “H” would actually utilize the benefits of the program and the rest 298 buyers will never have to use the program during the first 4 years. The CEO/owner of the dealership knows about this practice. He has a choice to either instruct them to ensure that they disclose the facts to the customer in future or to turn a blind eye to what the salesmen are doing.

Action: CEO decides to neglect what salesmen are doing.

Scenario III (Recruitment Dilemma)

A company XYZ is about to recruit a Marketing Manager. Two candidates were selected for the final interview with the CEO of the company. Candidate A was certainly better than candidate B in terms of quality of experience, qualifications, demonstrated competencies, interpersonal relationships and soft skills etc. Candidate B, however, is working with a company LMN. Company LMN is the competitor of XYZ and the CEO taking the interview knows that if B is selected, then he will bring with him a number of clients of company LMN, something which candidate A will not be able to do. Company XYZ was facing a stagnation in terms of sales and was aiming at a quick and big push in the sales figure within next 3 months. CEO has to decide whom to select, A or B.

Action: CEO selects candidate B.
