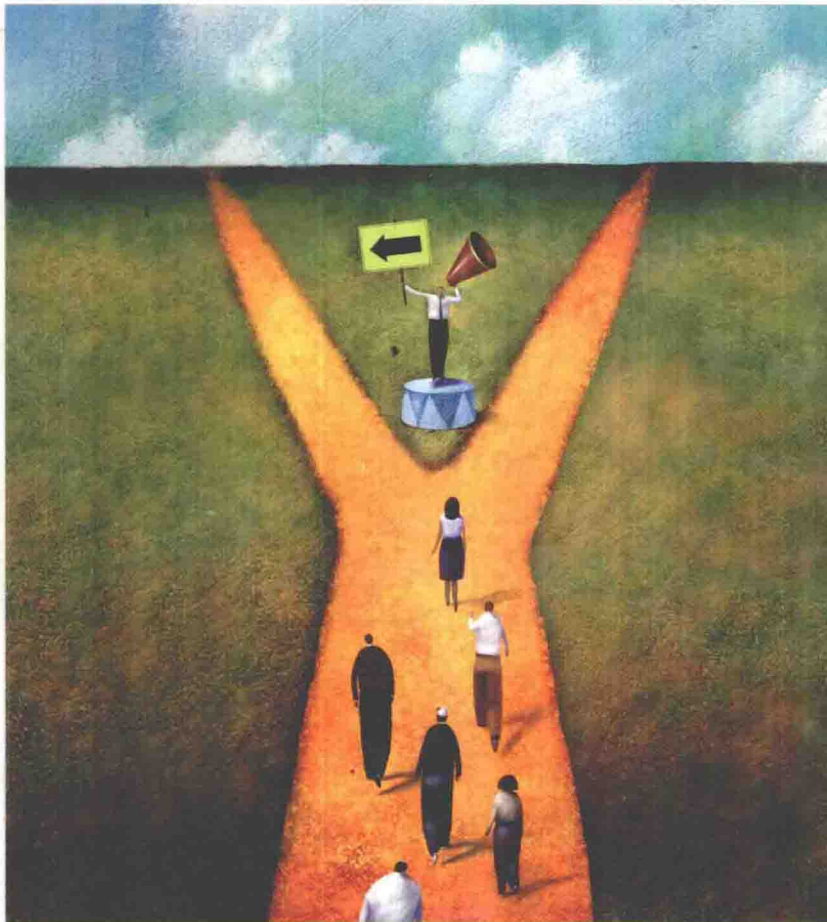


Marianne M. Jennings



Business Ethics

{ *Case Studies and Selected Readings* }

FOURTH 4 EDITION

Business Ethics

{ *Case Studies and Selected Readings* }

FOURTH 4 EDITION

Marianne M. Jennings

Professor of Legal and Ethical Studies in Business
Arizona State University
Member of the Arizona Bar

THOMSON
—★—
SOUTH-WESTERN
WEST



Business Ethics: Case Studies and Selected Readings, 4e

Marianne M. Jennings

Editor-in-Chief:

Jack W. Calhoun

Vice President, Team Director:

Michael P. Roche

Sr. Acquisitions Editor:

Rob Dewey

Developmental Editor:

Bob Sandman

Marketing Manager:

Steven Silverstein

Production Editor:

Starratt E. Alexander

Manufacturing Coordinator:

Rhonda Utlej

Compositor & Production House:

Cover to Cover Publishing, Inc.

Printer:

Transcontinental Printing, Inc.
Louisville, QC

Internal Designer:

Chris Miller

Cover Designer:

Chris Miller

Cover Illustrator:

Dave Cutler

COPYRIGHT © 2003

by West Legal Studies in Business,
a division of Thomson Learning.
Thomson Learning™ is a trade-
mark used herein under license.

Printed in Canada

1 2 3 4 5 04 03 02 01

For more information contact West
Legal Studies in Business,
5191 Natorp Boulevard,
Mason, Ohio 45040.

Or you can visit our Internet site
at: <http://www.westbuslaw.com>

ALL RIGHTS RESERVED.

No part of this work covered by
the copyright hereon may be repro-
duced or used in any form or by
any means—graphic, electronic, or
mechanical, including photocopy-
ing, recording, taping, Web distri-
bution or information storage and
retrieval systems—without the writ-
ten permission of the publisher.

For permission to use material from
this text or product, contact us by
Tel (800) 730-2214
Fax (800) 730-2215
<http://www.thomsonrights.com>

Library of Congress Cataloging-in-
Publication Data

Jennings, Marianne.

Business ethics : case studies and
selected readings / Marianne M.
Jennings.-- 4th ed.

p. cm.

Includes bibliographical references
(p.) index.

ISBN 0-324-11080-4

1. Business ethics--United States--
Case studies. I. Title.

HF5387.5.U6 J46 2002

174'.4--dc21

2002066835

Preface

“What is right is right even if no one is doing it. What is wrong is wrong even if everyone is doing it.”

Source Unknown

“Goodness is the only investment that never fails.”

Henry D. Thoreau

Walden; *Higher Laws*

“Three people can keep a secret if two are dead.”

Hell's Angels

In 2000, KPMG, the international accounting firm, surveyed 3,075 working adults. Nearly half reported seeing unethical or illegal conduct of a serious nature at their jobs during the past year, and 76 percent said they had observed a “high level” of illegal or unethical conduct. The most common legal and ethical breaches reported by the survey respondents were deceptive sales practices, unsafe working conditions, and mishandling of confidential or proprietary information.¹ These are not small misdeeds. Nearly half of those employees surveyed also indicated that if members of the public were aware of these misdeeds, it would result in a loss of public trust.

Longitudinally, data on both attitudes about ethics and ethical breaches show that there is a steady increase in both ethical breaches as well as the tolerance for them occurring. In 1997, a Rutgers University survey revealed that 26 percent of undergraduate students engaged in plagiarism in writing papers for their courses. In May 2001,

¹ KPMG, LLP, 2000 Organizational Integrity Survey: A Summary, published by the KPMG Integrity Management Services unit. For more information, go to <http://www.us.kpmg.com> or <http://www.kpmgconsulting.com>.

that figure had increased to 54 percent, a doubling in four years.² Certainly the Internet has made the task of plagiarism easier, but the rate of increase in that form of dishonesty as well as others is indicative of a troubling trend.

The following events from the past few years offer some insight into the current issues in business ethics:

- The Securities and Exchange Commission (SEC) filed fraud charges against Sunbeam, its former CEO Albert J. Dunlap (often called "Chainsaw Al" for his career pattern of downsizing companies and making deep and swift cuts in the size of their work forces in order to quickly restore profitability), and its auditors for allegedly overstating earnings by, among other things, recording sales that did not really occur.³ Mr. Dunlap has settled his case by agreeing to pay shareholders \$15 million. Arthur Andersen settled with the shareholders for \$110 million.⁴
- Jonathan G. Lebed began trading stock when he was 12 and through the Internet was able to pump and dump his way from an initial investment of \$8,000 all the way to \$800,000 until the SEC moved in and filed its first fraud charges against a minor, collecting almost \$600,000 in gains and leaving his parents only with the funds to pay the income taxes on young Jonathan's 3-year run.⁵
- FINOVA, Inc., a financial corporation, and Enron, an energy trading firm, both consistently named one of the top ten companies to work for in the United States, had to issue corrected financial statements. The final fall-out from information about debts and write-downs not revealed to shareholders was that both companies now sit in Chapter 11 bankruptcy with their shares valued at under one dollar each, down from highs of \$70–\$80 per share. These are the largest and seventh largest bankruptcies in the history of the United States and their root causes for failure rest in ethical lapses.
- Both the stock exchanges and the SEC are exploring new codes of ethics for conflicts of interest among analysts and the companies they evaluate in light of the NASDAQ crash.
- General Motors lost a case on its Malibu car that exploded on impact and the jury awarded the family injured in the fiery crash over \$4.9 billion (later reduced to \$1.2 billion on appeal) because the evidence included internal memos with GM's knowledge of the defect in design centering around the gas tank and its placement that GM would not correct.⁶
- Nearly all dot-com firms are revamping, retooling, and recovering from an era in which financial statements have now been shown to be false, overstated, and creative in their approaches.⁷

Profits. High returns on investments. Earnings management. Product defects. Fraud. Each day brings news of another business with an ethical flaw. Businesses do exist to make a profit, but business ethics exists to set parameters for earning

² The Rutgers study is conducted by Professor Donald McCabe on a regular basis. The survey had 4,500 student respondents. *ESchool News Online*, May 11, 2001, *Edupage*. See also <http://www.rutgers.edu> for more information on Professor McCabe and his work on academic integrity.

³ Floyd Norris, "They Noticed the Fraud but Figured It Was Not Important," *The New York Times*, May 18, 2001, p. C1.

⁴ Michael Lewis, "Jonathan Lebed: Stock Manipulator, S.E.C. Nemesis—and 15," *The New York Times*, February 25, 2001, at <http://www.nytimes.com> and also p. 24 of *The New York Times Sunday Magazine*.

⁵ Kelly Greene, "Dunlap Agrees To Settle Suit Over Sunbeam," *The Wall Street Journal*, January 15, 2002, p. A3.

⁶ Milo Geyelin, "How an Internal Memo Written 26 Years Ago Is Costing GM Dearly," *The Wall Street Journal*, September 29, 1999, pp. A1, A6.

⁷ For example, *Microstrategy's* stock premiered in its IPO (initial primary offering) at \$6 per share and climbed to \$333 per share. When the SEC announced its investigation of the company for "accounting improprieties," the stock price fell 62 percent. Its share price was \$3.59 in June 2000. Michael Schroeder, "SEC's Probe of Microstrategy Focuses on Auditor Independence Standards," *The Wall Street Journal*, July 18, 2000, p. A3.

that profit. This book of readings and cases explores those parameters and their importance.

In 1986, before Ivan Boesky was a household name and Michael Douglas was Gordon Gekko in *Wall Street*, I began teaching a business ethics course in the MBA program in the College of Business at Arizona State University. The course was an elective. I had trouble making the minimum enrollments. However, two things changed my enrollments and my fate. First, the American Association of Collegiate Schools of Business (AACSB) changed the curriculum for graduate and undergraduate business degree programs and required the coverage of ethics. The other event was actually a series of happenings. Indictments, convictions, and guilty pleas by major companies and their officers—from E.F. Hutton to Union Carbide to Beech-Nut to Exxon—brought national attention to the need to incorporate values in American businesses and business leaders.

Whether out of fear, curiosity, or the need for reaccreditation, business schools and students embraced the concept of studying business ethics. My course went from a little-known elective to the final required course in the MBA program. In the years since, the interest in business ethics has only increased. Today nearly 100 percent of the Fortune 500 companies have a code of ethics. Over half provide their employees with regular training in ethics.

Application of ethical principles in a business setting is a critical skill. Real-life examples are necessary. Over the past sixteen years, I have collected examples of ethical dilemmas, poor ethical choices, and wise ethical decisions from newspapers, business journals, and my experiences as a consultant and board member. Knowing that other instructors and students were in need of examples, I have turned my experiences into cases and coupled them with the most memorable readings in the field to provide a training and thought-provoking experience on business ethics.

The cases come not only from a quarter of a century of teaching and business experience, but also from my conviction that a strong sense of values is an essential management skill that can be taught. The cases apply theory to reality; hopefully, they will nurture or reinforce a needed sense of values in future business leaders.

The fourth edition continues the features students and instructors embraced in the first, second, and third editions, including both short and long cases, discussion questions, hypothetical situations, and up-to-the-moment current, ongoing, and real ethical dilemmas. Some of the longstanding favorites are back by popular demand—such as the Nestlé infant formula experience with its longstanding lessons in doing the right thing.

The fourth edition continues the classic readings in business ethics that provide insight into the importance of ethics in business and how to resolve ethical dilemmas. For this edition, the readings are integrated throughout the book to provide substantive thoughts on the particular areas covered in each section. The organizational structure and indexes, somewhat modified from the third edition, make material easy to locate. A case can be located using the table of contents, the topical index, or the product index, which lists both products and companies by name. An index for business disciplines groups the cases by accounting, management, and the other disciplines in colleges of business.

The instructor's manual is updated with more sample test objective- and essay-answer questions of varying lengths and structures. The questions have been coded for topic and even some for case-specific questions so that exams can be created by subject area. The transparency/ PowerPoint package, which includes illustrative charts to assist instructors in walking classes through the more complex cases, has been updated and expanded.

This book is not mine. It is the result of the efforts and sacrifices of many. I am grateful to the reviewers for their comments and insights. Their patience, expertise, and service are remarkable.

I am fortunate to have Bob Sandman as the editor for this edition. His calm and steady guidance make him an author's choice for editor-of-the-year. I am grateful to Rob Dewey for his continuing support of all my work. I continue to love editors. Where I see only deadlines, they see both the big picture of the book and its details: They have vision.

I am grateful to my parents for the values they inculcated in me. Their ethical perspective has been an inspiration, a comfort, and, in many cases, the final say in my decision-making processes. I am especially grateful to my father for his continual quest for examples of ethical and not-so-ethical behavior in action in the world of business. I am grateful for my family's understanding and support. I am most grateful for the reminder their very presence gives me of what is truly important.

Marianne M. Jennings
Professor of Legal and Ethical Studies in Business
College of Business
Arizona State University
Marianne.jennings@asu.edu

Introduction

“The reputation of a thousand years is determined by the conduct of one hour.”

Japanese Proverb

“A quiet conscience makes one so serene.”

Byron

“There is no pillow as soft as a clear conscience.”

Kenneth Blanchard and Norman Vincent Peale
The Power of Ethical Management

“What once seemed black and white

Turns to so many shades of gray

We lose ourselves in work to do and bills to pay”

Bruce Springsteen, *Blood Brothers*¹

¹ Copyright © 1995 Bruce Springsteen (ASCAP). Reprinted by permission.

A cover story in *Fortune* magazine, entitled “The Payoff from a Good Reputation” (*Fortune*, February 10, 1992), quotes a vice chairman of an advertising agency as saying, “The only sustainable competitive advantage any business has is its reputation.” The same could be said about individual business persons. Reputation cannot be found in the annual 10K filing the Securities and Exchange Commission requires of a firm and won’t be reflected in the net worth recorded on the firm’s balance sheet. But its loss can be so devastating that if it were quantifiable, the failure of a firm to disclose that its ethical values were waning would constitute fraud under the federal securities laws. A business lacking an ethical commitment will, eventually, bring about its own demise.

A May 14, 2001, cover for *Fortune* magazine asks this question: “Can we ever trust again?” As we discover some of the creative accounting of the dot-com companies and the all-too-close relationships and conflicts among analysts, underwriters, and their clients, those who have invested are wondering how there could have been so many breaches of trust with so few people willing to express concerns. The burst of the dot-com bubble offers its share of ethical missteps that may have contributed to or exacerbated the scope of the economic downturn.

But the dot-coms with creative accounting and conflicts of interest are not unique. Examining the fates of companies such as Union Carbide, Beech-Nut, E.F. Hutton, Salomon Brothers, Johns-Manville, Exxon, Phar-Mor, Kidder Peabody, Bausch & Lomb, Sunbeam, FINOVA, Nike, Ford, Firestone, and others whose very public ethical mishaps resulted in tremendous losses supports the notion that a lack of commitment to ethical behavior is a lack of commitment to a firm’s success.

Many people consider the term “business ethics” an oxymoron. Nonetheless, in keeping with the observations in *Fortune*, compelling reasons support choosing ethical behavior in a business setting. Courses in finance and accounting teach us that the primary purpose and obligation of a business is to earn a profit. The immediate pursuit of the bottom line occasionally can distort even the most conscientious perspective. The fear of losing business and consequently losing profits can lead individuals and companies to make decisions that, while not illegal, raise concerns about fairness, equity, justice, and honesty.

In their 1994 book *Built to Last*, James C. Collins and Jerry I. Porras noted that the common thread among companies with long-term growth and profits was a strong commitment to values. These successful companies had high standards for product quality, concern for employees and employee safety, and reputations for fairness and good service. In short, the ethical components of business were a common thread in their success.

A firm must pursue the positive figure for its bottom line with a long-term perspective in mind. Running a successful and ethical business is like running a marathon, not a sprint. Studies show that firms that perform better financially over time are those with a commitment to ethical behavior. A study by the Lincoln Center for Ethics and Professors Louis Grossman and Marianne Jennings at Arizona State University demonstrated that the fifteen U.S. corporations that have paid dividends

for at least one hundred years without interruption also had a strong commitment to values. These companies knew what they had to do to be successful, but they also knew what they would *not* do to achieve that success.² What they would not do is compromise their values.

A 1997 study in the *Academy of Management Journal* concludes that firms involved in ethical difficulties (including criminal violations, regulatory citations, and product liability suits) experience earnings declines for at least five years following the public announcement of their problems.³

There is something to the correlation between business ethics and business success. While not every ethical person is guaranteed business success, every business that engages in unethical behavior is guaranteed a setback and the costs of trying to restore that invaluable reputation.

² The results of this study will appear in the forthcoming book, *Building and Growing a Business: The Remarkable Stories of Fifteen Companies Each with 100 Years of Consistent Dividends*, Greenwood Press, 2002.

³ Melissa S. Baucus and David A. Baucus, 40 *Academy of Management Journal*, 1997, p. 129.

Contents

PREFACE	ix
----------------	----

INTRODUCTION	xiii
---------------------	------

UNIT 1

Foundations of Business Ethics:

Virtue, Values, and Business	1
-------------------------------------	---

Section A: Defining Business Ethics	2
--	---

Reading 1.1: What Is Business Ethics?	2
---	---

Reading 1.2: The Areas of Ethical Challenges	3
--	---

Reading 1.3: Recognizing Ethical Dilemmas: The Language	4
---	---

Reading 1.4: The Categories of Ethical Dilemmas	6
---	---

Section B: Resolutions of Business Ethics Dilemma	9
--	---

Reading 1.5: Is Business Bluffing Ethical?	9
--	---

Reading 1.6: Ethics Without the Sermon	19
--	----

Reading 1.7: Other Models for Resolution of Business Ethics Dilemmas	30
--	----

Section C: Applying the Foundations of Business Ethics	33
---	----

Reading 1.8: Trying Out the Models and a Resolution Approach	33
--	----

Case 1.9: Barbara Walters and Her Andrew Lloyd Webber Conflict	34
--	----

Case 1.10: The Rigged Election	36
--------------------------------------	----

Case 1.11: The Loan Officer and the Debtors	36
---	----

UNIT 2

Foundations of Business Ethics: What Is the Role

of Business in Society? Shareholders vs. Stakeholders	39
--	----

Section A: The Role of Business in Society	40
---	----

Reading 2.1: The Social Responsibility of Business Is to Increase Its Profits	41
---	----

Reading 2.2: The Ethics of Responsibility	47
---	----

Reading 2.3: Principles of Social Responsibility in Business	51
--	----

Reading 2.4: Schools of Thought on Social Responsibility	53
--	----

Section B: Stakeholder vs. Shareholder Accountability	55
--	----

Reading 2.5: Stakeholder Theory and the Coase Theorem	55
---	----

Reading 2.6: Appeasing Stakeholders with Public Relations	57
---	----

Section C: Applying Social Responsibility and Stakeholder Theory	59
Case 2.7: SUVs, the Environment, Safety, and Stakeholders	59
Case 2.8: Ice-T, the Body Count Album, and Shareholder Uprisings	67
Case 2.9: Guns 'n Social Responsibility	72
Case 2.10: Shock Jock: Howard Stern	83
Case 2.11: Dayton-Hudson and Its Contributions to Planned Parenthood	84
Case 2.12: Bayer, Anthrax, Cipro, Patents, and Half-Price	85
Case 2.13: The Chicago Inner-City School Experiment	90

UNIT 3

Individual Values and the Business Organization 91

Section A: Personal Values in Business Decisions	93
Reading 3.1: The Parable of the Sadhu	93
Reading 3.2: The Moving Line	99

Section B: Personal Honesty	101
Case 3.3: Puffing in the Résumé	101
Case 3.4: Radar Detectors and the Law	103
Case 3.5: The Ethics of Looking Busy	103
Case 3.6: The Employment Application Lie That Haunts the Applicant	104
Case 3.7: Travel Expenses: A Chance for Extra Income?	105
Case 3.8: Do Cheaters Prosper?	106

Section C: Trust and Employment	107
Case 3.9: General Motors, Volkswagen, and the Traveling Executive	107
Case 3.10: The Sale of Sand to the Saudis	109
Case 3.11: The Compliance Officer Who Strayed	110
Case 3.12: Espionage and Job-Hopping	112
Case 3.13: The Glowing Recommendation	113
Reading 3.14: The Ethics of Confrontation	114

Section D: Taking Advantage	121
Case 3.15: Napster: The Ethics of "Peer-to-Peer File Sharing"	121
Case 3.16: The Dot-Coms and Finance	125
Case 3.17: Nestlé Infant Formula	131

UNIT 4

Individual Rights and the Business Organization 135

Section A: Corporate Due Process	136
Case 4.1: Ann Hopkins, Price Waterhouse, and the Partnership	136

Section B: Employee Screening	140
Case 4.2: Handwriting Analysis and Employment	140
Case 4.3: Health and Genetic Screening	142

Section C: Employee Privacy	144
Case 4.4: Employee and Technology Privacy: Is the Boss Spying?	144
Case 4.5: The Athlete Role Model	150
Case 4.6: Drug Testing of Employees	151
Section D: Sexual Harassment	153
Case 4.7: <i>Seinfeld</i> in the Workplace	153
Case 4.8: Hooters: More Than a Waitress?	155
Case 4.9: Navy Top Guns and Sexual Harassment	156
Section E: Diversity, Equal Employment, and Affirmative Action	160
Reading 4.10: The Benefits of Diversity— Doug Daft, CEO of Coca-Cola, Inc.	160
Case 4.11: On-the-Job Fetal Injuries	165
Case 4.12: Denny's: Discriminatory Service with a Smile	167
Case 4.13: Texaco: The Jelly Bean Diversity Fiasco	170
Case 4.14: Hunter Tylo: Pregnancy Is Not a BFOQ	181
Section F: Whistle-Blowing	183
Reading 4.15: The Options for Whistle-Blowers	183
Case 4.16: Beech-Nut and the No-Apple-Juice Apple Juice	183
Case 4.17: NASA and the Space Shuttle Booster Rockets	190
Case 4.18: Dow Corning and the Silicone Implants: Questions of Safety and Disclosure	194
Case 4.19: The Changing Time Cards	204
Section G: Employee Rights	207
Case 4.20: Cheap Labor: Children, Sweatshops, Human Rights, and the Fifty-Hour Work Week	207
Reading 4.21: Human Rights Declarations and Company Policies	214

UNIT 5

Business Operations 227

Section A: Earnings, Transparency, and Management	228
Reading 5.1: Earnings Management: The Ethical Issues Remain	228
Reading 5.2: That "M" Word: To Disclose or Not to Disclose— Materiality and Ethics in Financial Reporting	231
Reading 5.3: Chainsaw AI and the Ethics of Materiality in Financial Reporting	238
Case 5.4: Creative Medical Billing	245
Case 5.5: MiniScribe and the Auditors	249
Case 5.6: FINOVA and the Loan Write-Off	251
Case 5.7: Phar-Mor Earnings	257
Case 5.8: Overstated Earnings: Bausch & Lomb	260
Case 5.9: Enron—The CFO, Conflicts, and Cooking the Books with Natural Gas and Electricity	262

Section B: Personal Ambition and Hubris	278
Case 5.10: Jonathan Lebed: The Middle School Tycoon	278
Case 5.11: The Inside Tract: Dan Dorfman	279
Case 5.12: The Ethics of Derivatives	281
Case 5.13: Compensation-Fueled Dishonesty: Fraud to Get Results	286
Case 5.14: The Ethics of Bankruptcy	289
 Section C: Conflicts between the Corporation's Ethical Code and Business Practices in Foreign Countries	 293
Case 5.15: Product Dumping	293
Case 5.16: The Taboo of Women in Management	294
 Section D: Unauthorized Payments to Foreign Officials	 296
Reading 5.17: The Ethics of Business in China and Business Ethics in China	296
Case 5.18: The Adoption Agency and Señor Jose's Fees	300
Case 5.19: Salt Lake City, the Olympics, and Bribery	301
 Section E: Workplace Safety	 309
Reading 5.20: The Regulatory Cycle	309
Case 5.21: Electromagnetic Fields: Exposure for Workers and Customers	312
Case 5.22: Johns-Manville and the Asbestos Exposure	319
Case 5.23: Domino's Pizza Delivers	328
Case 5.24: Cell Phones	329
 Section F: Plant Closures and Downsizing	 333
Case 5.25: Aaron Feuerstein and Malden Mills	333
Case 5.26: GM Plant Closings and Efforts at Outplacement	335
 Section G: Environmental Issues	 337
Case 5.27: Herman Miller and Its Rain Forest Chairs	337
Case 5.28: Exxon and Alaska	339
Case 5.29: The Death of the Great Disposable Diaper Debate	344
 Section H: Purchasing: Conflicts and Bribery	 347
Case 5.30: JCPenney and Its Wealthy Buyer	347
Case 5.31: Cars for Cars: Honda Executives' Allocation System	349
Case 5.32: Ford, Firestone, and the Rolling Explorer	350

UNIT 6

Business and Its Competition 365

Section A: Advertising Content 366

Case 6.1: Joe Camel: The Cartoon Character Who Sold Cigarettes and Nearly Felled an Industry	366
Case 6.2: Alcohol Advertising: The College Focus	371
Case 6.3: The Obligation to Screen? The Obligation to Reject— <i>Soldier of Fortune Classifieds</i>	374

Case 6.4: Aggressive Marketing of Prescription Drugs: Forms of Direct Sales	377
Case 6.5: Hollywood Ads	379
Section B: Appropriation of Others' Ideas	380
Case 6.6: Ragu Thick and Zesty	380
Case 6.7: The Little Intermittent Windshield Wiper and Its Little Inventor	381
Case 6.8: V-A-N-N-A: It Belongs to Me	382
Case 6.9: Copyrights, Songs, and Charity	383
Section C: Pricing	385
Case 6.10: Salomon Brothers and Bond Pricing	385
Case 6.11: Archer Daniels Midland: A Giant in Grain	390
Case 6.12: Sotheby's and Christie's: The No-Auction Prices	392
Section D: Competitors, the Playing Field, and Competition	396
Case 6.13: Slotting: Facilitation, Costs, or Bribery	396
Case 6.14: Mr. Gates: Genius and Fierce Competitor	401
Section E: Business and Its Shareholders	403
Case 6.15: Executive Compensation	403
Case 6.16: Shareholder Proposals and Corporate Governance	408

UNIT 7

Business and Its Product 411

Section A: Contract Relations	412
Case 7.1: Intel and Pentium: What to Do When the Chips Are Down	412
Case 7.2: Hidden Car Rental Fees	415
Case 7.3: Thinning Diet Industry	418
Case 7.4: Sears and High-Cost Auto Repairs	423
Case 7.5: Magazine Contests: The Disclosure of Odds	429
Case 7.6: McDonald's and the Disappearing Dodge Viper Game Pieces	430
Section B: Product Safety	432
Case 7.7: Tylenol: The Product and Its Packaging Safety	432
Case 7.8: Ford and Its Pinto	435
Case 7.9: GM and Its Malibu	443
Case 7.10: ATVs: Danger on Wheels	445
Case 7.11: A. H. Robins and the Dalkon Shield	449
Case 7.12: E. Coli, Jack-in-the-Box, and Cooking Temperatures	452
Section C: Product Social Issues	455
Case 7.13: The Mommy Doll	455
Case 7.14: Rock Music Warning Labels	456
Case 7.15: Stem-Cell Research	459

UNIT 8**Business and Government 461****Section A: Government Employees 462**

Case 8.1: A Club in My Name	462
Case 8.2: The Fireman and His Family	463
Case 8.3: Commodities, Conflicts, and Clintons	463
Case 8.4: The Secretary of Agriculture, Chicken Processors, and Football Skybox Seats	465
Case 8.5: The City Council Member with Clout	470
Case 8.6: IRS Employees and Sensitive Data	471
Case 8.7: The Generous and Profitable Foundation Board	472

Section B: Government Contracts 475

Case 8.8: Stanford University and Government Overhead Payments	475
Case 8.9: Casino Leases and the County Supervisor	477
Case 8.10: Bids, Employees, and Conflicts	478

Section C: Government Responsibilities 479

Case 8.11: Orange County: Derivative Capital of the United States	479
Case 8.12: Cars and Conflicts	481

UNIT 9**Ethics and Nonprofits 483****Section A: Ethics and Nonprofits 484**

Case 9.1: Giving and Spending the United Way	484
Case 9.2: New Era—If It Sounds Too Good to Be True, It Is Too Good to Be True	486
Case 9.3: The Red Cross, New York, and Ground Zero	489

unit 1

Foundations of Business Ethics: Virtue, Values, and Business