**Module 11: Stakeholder Focus: Customers and Dangerous Products**

**Core Module Issues:**

* **When, if ever, do companies have special obligations to their customers?**
* **Are the obligations more pronounced if safety is involved?**

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| **Module Teaching Notes**  This concluding unit in the stakeholder/shareholder unit focuses on customers. This is yet another group of stakeholders without whom a company cannot operate.  But a shareholder model advocate might say: customers benefit by using and enjoying their purchases, and companies benefit through increased profits. End of story. There is no obligation beyond that.  Stakeholder model advocates will often argue that taking care of customers is the right thing to do, regardless of profits and losses. Particularly when safety is on the line.  I wrote this module in the days after the enormous Toyota “sticky accelerator” story dominated the headlines. If a more recent recall is in the news, by all means focus your lecture on it instead – there is nothing special about the Toyota example.  I find that, at the end of the unit, there is not a lot of new background information to add. And so, we have produced another video **[“Fan” in the South-Western Digital Video Library “Business Ethics” series]** of the scenario at the end of the module. To access the DVL, log in to your Cengage Faculty Account at **login.cengage.com**, select “Digital Video Library Instant Access Code” when you add the Bredeson text to your Bookshelf, and then click on the “[Business Law Digital Video Library Online Access” link under “Additional Resources”.](http://college.cengage.com/blaw/0324223285_wdvl/student/start.html?token=80FFA78887C655366632564EC96EA4AA869DB9A9C2CCBC7171814ECD2B767A0D7571DD66D47F3777F4F50CD14088A85F&pid=316&eISBN=9780324223286)  I would suggest running it in class. I'll be glad to have it in mine.  After rolling the clip, off to the five questions.  When the questions are done, it might be worth five minutes to summarize the ideas presented in the unit.  You might also give a brief preview of or mention the next unit, which will feature ethical issues in selling, marketing, and advertising. |

**Discussion Points for Scenario Questions**

# If you were in Mark's position, would you recommend a recall today? Why or why not?

## TOday – what if you lose the big contract?

## LATER – WHAT IF SOMEONE IS KILLED? DOES THAT SEEM LIKE A REMOTE RISK?

# If you were in Mark's position, would you recommend a recall in two months, after the Rooms-To-Go deal has been completed?

## YES – WOULD YOU FEAR A BACKLASH IF THE FULL story CAME OUT?

## STILL NO – WHY NOT? WON'T THE INCREASED PROFITS from the BIG CONTRACT MORE THAN COVER THE COST OF THE RECALL?

# Ann's testing showed 6 percent “bad” results (sparks) and 4 percent “really bad” results (fire and thrown metal). Would your answers to questions 1 and 2 change if Ann's testing had shown 18 percent “bad” and 12 percent “really bad” results? What if it had shown the same number of “bad” results but zero “really bad results”?

# [ASK THESE QUESTIONS INDIVIDUALLY. TRY TO DRAW OUT HOW MUCH RISK STUDENTS WOULD BE WILLING TO TAKE WITH OTHERS' SAFETY. ASK HOW THEY WOULD FEEL IF THEY HAD ONE OF THE FANS IN THEIR OWN APARTMENT/HOUSE/DORM.]

# For questions 4 and 5, assume that no recall is made. Assume further that a fan started a fire and burned a home in your town to the ground, and that a local newspaper identified the ceiling fan as the cause. The newspaper later reported that the Cooper Fan Company knew about the potential problem and did nothing about it. Finally, assume that no one was badly injured in the fire.

# If you had read the newspaper article and later that year went shopping for ceiling fans, would you consider Cooper fans, or would you pass them by even if they were competitive in pricing, appearance, and features?

## STILL CONSIDER – WHAT IF THERE HAD BEEN A FATALITY?

## WOULDN'T CONSIDER – IS THERE A REAL WORLD PRODUCT THAT YOU HAVE AVOIDED OVER CONCERNS LIKE THESE?

# Assume that you are a juror in a lawsuit filed by the family with the burned down house. If you were convinced that the Cooper Fan caused the fire and that Cooper knew about the potential problems, would you award the family more than the value of its lost home and possessions, if you had the chance? Would you award substantially more?

## NO – REALLY? YOU MAY STAND ALONE IN AMERICA

## MORE – HOW MUCH MORE?