**ETHICAL DILEMMA**

**Chances Are What They Don't Know Won't Hurt Them!**

**Ethical dilemma:**

It appears that the ethical dilemma is whether Futuristic Electronic Technologies (FET) should continue to distribute its new micro system even though laboratory tests have shown that the system *might* be flawed. To make matters worse, as an executive with FET, your salary is based on the performance of the company’s common stock, and it is expected that the stock will not do well unless the new micro system is successful. You need the salary compensation you expect to be associated with the success of the new micro system to make the mortgage payments on the expensive house you just purchased. What should you do?

**Discussion questions:**

* *Is there an ethical problem (dilemma)? If so, what is it?*

You will get some interesting answers to these questions. In reality, the new micro system might not be flawed. The information provided in the text indicates that the lab tests on the new micro system are not conclusive—it is implied that additional tests are needed to reach more concrete conclusions. If an ethical dilemma exists, it might be that FET is willing to introduce a new product without full knowledge of its flaws; but, this is not unusual in very competitive markets.

* *Should FET discontinue the distribution of its new micro system until further laboratory tests can be completed?*

Certainly additional testing will give the company a better idea of whether a flaw actually does exist, and, if there is a flaw, to what degree it is harmful to customers. But, if distribution of the new micro system is temporarily discontinued, FET’s competitors might be able to introduce their new systems and significantly cut into FET’s share of the market. At the same time, if FET is not fully aware of any flaws in its system, continuing to distribute a product of inferior quality might be extremely harmful to the company's reputation. There is no clear answer to this question because the extent of the problem is unknown—the flaw could be nonexistent, it could exist and be very insignificant, or it could exist and cause very significant difficulties for those customers purchasing the new micro system.

* *What action do you think FET should take?*

There are a variety of responses to this question. Some students will suggest that FET ignore the flaw, because it doesn't seem to occur very often. Remind these students that the new micro system will be used by such financial institutions as banks and savings and loan associations, by large corporations, and by governments to store large amounts of financial data. If such data are lost, even once in 100 million retrievals, the consequences could be devastating. Some students will suggest that FET should do "the right thing," and discontinue distribution until further testing is complete so it can be determined to what extent a flaw does exist, and the necessary corrections can be made. A few students will suggest a third alternative--continue to distribute the new micro system, but inform those who buy it there is a possibility that a flaw exists. In addition, inform the customers that the new micro system currently is undergoing further tests, and the results will be publicly announced as soon as they are available; if it is determined a flaw actually exists, corrections will be made at no cost to the customer, and with as little interruption as possible.

**References:**

It is well documented in the business press that Intel Corporation was embroiled in controversy over a flaw in the Pentium computer chip it introduced in 1994. The cost of replacing the flawed chips that were installed in computers resulted in a fourth-quarter profit in 1994 that was 37 percent lower than the previous year. In addition, a number of lawsuits were filed accusing Intel of fraud, false advertising, and various violations of state laws protecting consumers.

On the other hand, in part because of the controversy created by the Intel situation, in 1995, Advanced Micro Devices, Inc. delayed the distribution of its new computer chip, which was intended to compete directly with Intel's Pentium chip, because it was felt technical corrections and additional testing were needed.

You can find additional information concerning these two situations in articles that appear in *The Wall Street Journal* at the end of 1994 and throughout 1995. The following articles might be assigned for background material:

“Chip Shot: Computer Giants’ War Over Flaw in Pentium Jolts the PC Industry,” *The Wall Street Journal*, December 3, 1994, p. A1+.

“AMD Will Delay Delivery of New Chips Aimed at Competing With Intel Pentium,” *The Wall Street Journal*, April 11, 1995, p. B5.

Annick Jesdanun, “Experts Spot Security Flaw in Windows Vista Software,” *The Tampa Tribune*, December 27, 2006, Business 1+.