

Business communication, assignment



Business Communication, Ethics and Practice Team Project/Topic: Analyze the McWane Inc. case by using the two Ethical Frameworks: Consequences and Duties EXECUTIVE SUMMARY The report looks at the way in which the ethical frameworks of consequence and duty apply to McWane Inc.

(McWane). McWane is a manufacturer of water and sewerage piping operating both within and outside the United States. McWane gained notoriety in 2003 when it became the subject of an investigation by the US TV series PBS Frontline. The program “ A Dangerous Business” accused the company of being one of the most dangerous work places in the US.

The show documented that the company had amassed more safety violations in the period 1995 to 2003 than all of its six major competitors combined. In addressing a serious issue such as worker safety, the ethical dilemmas can be resolved using the principles of two major theories, being utilitarianism and deontology. Utilitarianism looks at the consequences of decisions and actions and determines that the most appropriate should be those that do the greatest good for the greatest number of people. In contrast, deontology looks at the duty that faces the person responsible for the action or decision.

Deontology denies the utilitarian belief that the ends do justify the means. It holds that there are some things that we should or should not do regardless of the consequences. When these frameworks are applied to the situation at McWane, it is easy to conclude that the utilitarian approach has been more prominent than the deontological approach. This is further illustrated when McWane is compared to American Cast Iron Pipe Company (ACIPCO), which undoubtedly follows the deontological approach. Both frameworks have their

advantages and disadvantages and parts of each framework should be used to resolve any ethical dilemma.

However, it could be concluded that the situation of McWane could have called for a greater emphasis on the deontological approach and less on the utilitarian approach. TABLE OF CONTENTS EXECUTIVE SUMMARY2 1.

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BUSINESS REPORT REFLECTION22 1. INTRODUCTION An analysis of the story of McWane Inc. (“ McWane”) provides a good insight into how ethical frameworks work in practice. In particular, this report looks into two important ethical theories, consequences and duties. McWane manufactures pipes, fittings and other water equipment. It is headquartered in Birmingham, Alabama, but has manufacturing and sales activities throughout the United States, Canada, Australia and China. McWane gained notoriety in 2003 through the US TV series PBS Frontline where it called McWane one of the most dangerous work places in the US.

This report looks in particular at the way the ethical theories of consequences and duties apply to the situation that arose with McWane. Briefly, ‘ consequence’ looks at doing that which leads to the best

consequences for everyone involved. Alternatively, ‘duty’ looks at the actions that are motivated by the concept of duty. The report will identify the issues that each of these two ethical frameworks reveal, as well as provide recommendations as to how any ethical conflicts may be resolved. 2.

BACKGROUND INFORMATION J. R.

McWane founded the family company in Birmingham, Alabama in 1921 and today, that company is a major manufacturer of water and sewerage piping. The company has operations both inside and outside of the USA. It is a multi-billion dollar company, making it one of America’s more significant privately owned companies. Since the 1970’s, McWane has undertaken an aggressive expansion program. The program predominantly centres on the acquisition of poorly performing iron foundries and increasing their profitability through strict management practices.

These strict management practices became the focus of an investigation by the US TV show, Frontline, in conjunction with the New York Times and the Canadian Broadcasting Commission. The investigation, titled “A Dangerous Business”, was aired in 2003. The results of the investigation are documented in Frontline’s website and one of the conclusions was that whilst the McWane operations were financially successful, the management practices left “a shocking trail of death, dismemberment, and pollution” (Frontline, 2003).

In a segment called “The McWane Way” revealed that in the period 1995 to 2002, McWane had amassed more safety violations than their six major competitors combined. In that same period, nine McWane workers had been

killed and at least 4,600 had been injured on the job (Frontline, 2008). The show focussed on McWane's acquisition of the Tyler Pipe Company in Tyler, Texas in 1995. It illustrated an example of the application of the new management practices, which involved the reduction of the workforce by over 60%, yet placed a demand of increased productivity. In 1999, an inspector from the federal Occupational Safety and Health Administration (OSHA) reported: "Many workers have scars or disfigurements which are noticeable from several feet away. Burns and amputations are frequent. Throughout the plant, in supervisor's offices and on bulletin boards, next to production charts and union memos, is posted in big orange letters: REDUCE MAN HOURS PER TON" (Frontline, 2003). The Frontline program revisited the McWane story five years after the first airing. It would appear that there have been significant improvements within the McWane organisation in the area of worker safety.

At the time of the first episode, McWane denied allegations of poor safety records. The company was quoted as saying that "We do not put production concerns ahead of safety and environmental compliance". However, in the period 1995 to 2002, McWane had been cited by the OSHA for more than 400 safety violations, four times more than its six major competitors combined (Frontline, 2003). However, in the period 2003 to 2007, McWane was cited 211 times by OSHA. Unlike its previous record, none of the proposed citations was for a "wilful" violation, the most serious category under OSHA regulations.

McWane argue that many of the citations actually reflect improved record keeping (Frontline, 2008). McWane's assertions are supported by their

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records of accident and injury rates as shown in Appendix 1. 3. THEORITICAL FRAMEWORK The McWane story provides an opportunity to look at how some ethical frameworks apply to this situation. In particular, the ethical frameworks of consequence and duty will be analysed in the context of the McWane organisation. 3. 1. CONSEQUENCE The ethics of consequence represents one of the theories of modern ethics. It is more formally known as utilitarianism.

DesJardins (2006) explains that utilitarianism has had a significant impact on the modern world and has especially been influential in shaping politics, economics, and public policy. It therefore has had, and continues to have, an enormous influence on business. Utilitarianism has been described as doing the greatest good for the greatest number of people. Johnson (2007) highlighted that the modern formation of this framework came through philosophers Jeremy Bentham (1748-1832) and John Stuart Mill (1806-1873) who argued that the best decisions: 1. generate the most benefits as compared to their disadvantages, and 2. benefit the largest number of people The utilitarian approach to an ethical dilemma involves identifying various alternatives and then considering the consequences of each of those alternatives. However, this approach also has its disadvantages. Trevino & Nelson (1995) identifies two difficulties of using a strictly consequentialist approach: 1. Difficult to obtain all the relevant information required to evaluate all of the consequences for all the individuals who may be directly or indirectly affected by an action or decision 2.

The rights of a minority group can be easily sacrificed for the benefit of the majority Despite these difficulties, a utilitarian approach is still useful for

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making ethical decisions in business. Again, Trevino & Nelson (1995) identifies two important reasons: 1. Utilitarian thinking underlies much of business and economic literature, and 2. Considering the consequences of an action is an extremely important factor to making good ethical decisions. 3.

2. DUTY An equally important ethical theory involves duty and is called deontology. DesJardins (2006) explains that this framework emphasizes the fact that sometimes the correct path is determined not by its consequences but by certain duties. More familiar synonyms for duty include obligations, commitments and responsibilities. Deontology denies the utilitarian belief that the ends do justify the means. It holds that there are some things that we should or should not do regardless of the consequences. Johnson (2007) pointed out that the deontological approach was formed out of the work of philosopher Immanuel Kant (1724-1804) who argued that moral duties or imperatives must be obeyed without exception. As with the utilitarian approach, deontological theory also has its challenges.

Trevino & Nelson (1995) identifies a major challenge of this approach being the decision as to which duty, obligation, right, or principle takes precedence because ethical dilemmas often pit a number of these against each other. A further difficulty is addressing the situation where following a particular duty may have devastating consequences. For this reason, the deontological approach can be flexible. It is argued that all rules and principles do not have to be followed to the letter of the law if there is a good reason why violation of that rule or principle produces a better result. 3. 3.

ETHICAL DECISION MAKING The two philosophical approaches outlined above represent two of the more important approaches used in addressing ethical

dilemmas in business. It is obvious from the difficulties identified with each of the approaches that there is no correct way to resolve an ethical dilemma. The fact that there is an obvious conflict between the two approaches means that the steps to solving an ethical dilemma are sometimes not easy to undertake. Trevino & Nelson (1995) offers eight steps to sound ethical decision making in business that draw from both of the approaches outlined above.

The eight steps are: 1. Gather the facts 2. Define the ethical issue 3. Identify the affected parties 4. Identify the consequences 5. Identify the obligations 6. Consider your character and integrity 7. Think creatively about potential actions 8. Check your gut

4. APPLICATION TO McWANE 4. 1. UTILITARIANISM
Recalling the utilitarian approach, in general terms, the fundamental ethical principle of this framework is to maximise the happiness for the greatest number of people. However, we also saw that one of the difficulties with this approach was satisfactorily addressing the interests of the minority.

This conflict is clearly addressed in the area of unsafe work practices. Before addressing the area of unsafe work practices, it is useful to recognise that there are a number of different levels of utilitarian thinking. DesJardins (2006) identifies two versions of utilitarianism: 1. Expert version, and 2. Market version. The expert version involves the belief that the consequences of actions and decisions are best predicted by using experts relevant to the field relating to the action or decision. The market version involves the belief that competitive markets are the best means for attaining utilitarianism goals.

When you take these two beliefs into the realm of unsafe work practices, one view would be that regulations as to the safety and risk elements of workplace safety should be determined by experts who establish standards that employers should follow. Regulators such as the OSHA would be responsible for ensuring that employers meet these standards. The alternate view is that the best people to determine the acceptable level of safety within the workforce would be the workers themselves. Desjardins (2006) explains that a free and competitive labour market would ensure that people would get the level of safety they want.

Individuals would calculate for themselves what risks they wish to take and what trade-offs they are willing to make in order to attain safety. Workers willing to take risks likely will be paid more than workers who demand safe work environments. Thus, a market-based solution will prove best at optimally satisfying these various and competing interests. 4. 2.

DEONTOLOGY The deontological approach focuses on duties. The duty is defined as a moral or legal obligation (Duty, 2009). This means that somebody owes something to somebody else. To establish what is owed to that other person, the rights of that other person must also be established.

Interestingly, to help us understand rights, we can draw on a famous statement made by John Stuart Mill when explaining utilitarianism, where he said “ when we call anything a person’s right, we mean that he has a valid claim on society to protect him in the possession of it, either by force of law, or by that of education or opinion... to have a right, then, is, I conceive, to have something which society ought to defend in the possession of...” (Mill 1861, p54). The idea that rights are related to interests is an important

concept, because in analysing the deontological approach, it is crucial to distinguish between wants and interests.

A person's interest is not always the same as a person's wants. A person doesn't always want what is in their best interests. Utilitarians generally believe that all wants/interests equally deserve to be satisfied to the degree that they equally produce happiness. Deontologists argue that wants and interests are not equal. DesJardins (2006) explains that some interests are so important to the well being of an individual that they should not be sacrificed simply for the net increase in the overall happiness.

Rights serve to protect these interests from being sacrificed. When looking at the issue of workplace safety, employers need to gauge the rights of employees to work in a safe working environment. The rights to a safe environment should not be sacrificed by employers in the search for other goals, such as productivity and profits.

4. 3. MAKING ETHICAL DECISIONS

There are some similarities with the McWane situation and the "Pinto Fires" case involving the Ford Motor Company.

Trevino ; Nelson (1995) outlines the broad facts of this case, being: * The case involved corporate social responsibility, ethical decision making by individuals with corporations and the proper conduct of business in the modern era; * Ford decided to fight the competition in the small car market from foreign imports by fast-tracking a new small car version (the Ford Pinto); * Due to the short production time-table, a faulty fuel tank could not be redesigned because it would have been too costly to lengthen the production process; * Ford took the view that " safety doesn't sell" because

it appeared that American consumers demonstrated little concern for safety;

* A possible solution was to move the fuel tank, but this would have limited the trunk space.

One Ford engineer said: “ Safety isn’t the issue, trunk space is. You have no idea how stiff the competition is over trunk space. Do you realise that if we put a Capri-style tank in the Pinto you could only get one set of golf clubs into the trunk”; * Ford convinced the National Highway Traffic Safety Administration (NHTSA) regulators that a cost benefit analysis would be an appropriate way to determining the feasibility of safety design standards. Such an analysis required the assignment of a value for a human life. Refer to Appendix 2 for an example of such a cost benefit analysis in respect to the Ford Pinto. This case illustrated the ethical conflicts that can be faced by an organisation.

The way that such ethical dilemmas can be approached is along the lines of the eight-step process outlined previously. Such a process would help McWane address the issues that it has faced over many years. 1. Gather the facts Important decisions cannot be made correctly without having all the relevant facts. McWane would have the access to all the available information required to address the issue of workplace safety. 2. Define the ethical issue McWane should be addressing the issue of the rights of employees to work in a safe environment. The rights of employees are covered by both legal and moral requirements. 3. Identify the affected parties

Both utilitarianism and deontology requires the identification of the parties impacted by the issue. The former framework requires identification to determine who will experience the consequences of the decision. The latter framework requires the identification of who has the rights and who has the duty in respect of those rights. 4. Identify the consequences A step that obviously comes from the utilitarianism approach that requires the determination of the consequences of any action or decision. However, even the deontological approach requires that consequences be considered because part of the assessment of moral and legal obligations is the assessment of the result of the action or decision. 5.

Identify the obligations In contrast to step 4, this step comes from the deontological approach. In identifying the moral and legal obligations, the reasons why the duty arises should also be identified 6. Consider your character and integrity When considering an ethical dilemma, it is useful to consider how the ultimate decision will be viewed by society. Trevino ; Nelson (2006) quoted one of the guidelines for self-discipline that the Seneca people (one of the original five nations of the great Iroquois Confederacy located in the United States) uses - " How will I be remembered when I am gone? ". 7. Think creatively about potential actions

As with any business decision (ethical dilemma or not), decisions don't always have to revolve around (a) or (b). Sometimes there is always a decision (c) that might be outside the square but which can lead to a better result all round. 8. Check your gut Whilst each of the preceding steps had some sort of logic and reasoning behind them, in the end, the decision makers need to be able to live by their decision. If a decision doesn't feel

right, then there is a good chance that there may be something wrong with the position being taken. Whilst it is unclear exactly how McWane has approached its issue of worker safety, it is clear that the issue has remained outstanding for a long time.

It can be questioned that had the Frontline program not brought the issue to the attention of the public, whether the improvements shown by McWane in worker safety would have occurred. In the segment “ Two Companies, Two Visions”, the Frontline program illustrated the situation of American Cast Iron Pipe Company (ACIPCO), another iron foundry company based in Birmingham, Alabama. Whilst, in 2003, McWane had labour turnover rates of nearly 100%, ACIPCO had a turnover rate of less than 1% (Frontline, 2003). The segment further illustrated the point about addressing the interests of workers by looking at the working conditions in the pipe casting shop. Temperatures in this area of the foundry can reach 130 degrees.

McWane rations the amount of ice cubes available to workers, whereas ACIPCO installed air-conditioners for each worker. ACIPCO’s CEO, Van Richey was quoted as saying “ We had people say, ‘ You’re crazy. That won’t work. Why are you doing that? You’re wasting all this money’. But it actually works. And the employees are much more comfortable and they’re more productive” (Frontline, 2003). The ethical philosophy at ACIPCO is very much based on the deontological approach. The founder of ACIPCO, John Egan willed the plant to its workers when he died in 1924 and as such the workers now collectively own the plant and share in its profits. John Egan lived by one Golden Rule. Van Richey recalls the rule “ Do unto others as you would have them do unto you. Before you make a rule, say ‘ OK, this rule, what if it

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applied to me? Is it fair? ' (Frontline, 2003). There is an interesting sidelight to this deontological approach and Eagan's decision to operate the company under the Golden Rule. The then president of ACIPCO strongly disagreed with this approach and subsequently resigned from the company. He then formed his own foundry company. That person was J. R. McWane. As the Frontline program put it in its closing statements, today, the McWane foundries thrive, still faithful to its founder's austere philosophy. McWane has an enviable record of commercial success, but an unenviable reputation as one of the most dangerous workplaces in America (Frontline, 2003).

There probably isn't a clearer illustration of the workings of the utilitarianism and deontological frameworks. 5. CONCLUSION The McWane experience shows how ethical dilemmas can create significant issues if not treated correctly. The utilitarian philosophy of J. R. McWane has undoubtedly produced a very successful company, but at what price. There is no one right answer to serious ethical dilemmas such as unsafe working conditions. Consequences are important, and there is a strong argument that who should try and keep as many people happy as possible. However, there also needs to be recognition of the rights of certain people, particularly the minority. The deontology approach helps in this regard.

In summary, both the utilitarian and deontological approaches can provide guidance to resolving ethical dilemmas. Each case will draw on the two approaches in different ways depending upon the individual circumstances presented. However, maybe the one final test that can be applied to all dilemmas is the one used by John Eagan – " OK, this solution, what if it applied to me? Is it fair? ". 6. RECOMMENDATIONS 6. 1. UTILITARIANISM

Following what was recommended, all the workers will meet in an unique reunion in their respective industry on 24th of November 2009 to decide what risks they wish to have and what trade-offs they are willing to make in order to safety.

All the will be decide have to be according to Occupational Safety and Health Administration (OSHA) from their respective country. The Corporate Human Resource Division will organize the reunion with auxiliaries from each country Human Resource Department. The Local Human Resource Director will be present to be the link between the worker leader and their recommendations and the Human Resource Area. The workers have to recommend a leader to speak with the Human Resource Director. The workers that mark presence in the meeting will receive the extra wages per meeting/hour. We highly recommend for workers to follow this schedule: a) Nominate a leader (30 minutes);) Discuss the problems with security in each factory (2 to 3 hours); c) Bullet point the 5 (five) more common and dangerous problems (1 hour); d) Identify how many people work in this unsecure areas (2 hours – Human Resource Department have to me prepared to respond their questions); e) Finally, the workers from these particular areas will organized the trade-offs (4 hours). It is extremely important to remember that the local Human Resources Department will contribute with all data required and will try to solute all doubts that the workers might have. 6. 2. DEOTOLOGISM The Legal Department in partnership with Human Resource Department of each country will be compromise to adjust all the ‘ health and safety’ rights for all employees,

including the corporate workers. This should be complete in the end of next financial year.

The Production Department will have a new ‘mission’: “ Safety first, and work with passion to improve the productivity. ” The Legal and Human Resources Department have to inspect their performance and monitor the implementation regularly and randomly.

6. 3. MAKING ETHICAL DECISIONS AND CONCLUSION

This report illustrates, as specialist professionals, our point of view from McWane Industry and their reputation as a dangerous workplace company. During McWane history, they had extremely commercial success, however, did not focus, as they should, on health and safety issues. Because of that, our recommendations focus on how employees can have a higher quality in workplace with ethical background.

The first step is listening to ‘ what the workers want’, because nobody knows more what is happened in the workplace than them. After that, the Legal and Human Resource Department from each country, with the support of all Corporate Areas – Sales, Marketing, Supply-Chain and Logistics... – will guarantee that all the changes will be maintain and including the workers will effort to achieve an excellent standard quality of safety and health environment. If any of these frameworks are not following or completed, the Director of that area will response for it. The CEO and the Board of Directors will authorize this report and put into practice after an agreement of majority of votes. This meeting will occur on 15th of October 2009.

APPENDICES APPENDIX 1 SOURCE: <http://www.mcwane.com/reports/McWane%20Injury%20Rates%202000%20-%202008.pdf>

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APPENDIX 2 Estimated Cost to Society of Car Fatalities (1971) COMPONENT| COST| Future productivity losses| \$173, 300| Medical costs| \$1, 125| Property damage| \$1, 500| Insurance administration| \$4, 700| Legal and court costs| \$3, 000| Employer losses| \$1, 000| Victim's pain and suffering| \$10, 000| Funeral cost| \$900| Assets (lost consumption)| \$5, 000| Miscellaneous costs| \$200| | | TOTAL| \$200, 725| SOURCE: NHTSA The Ford Company used these costs in its cost benefit analysis: BENEFITS| AMOUNT| Savings in deaths (180 @ \$200, 000)| \$36, 000, 000|

Savings in serious burn injuries (180 @ \$67, 000)| \$12, 060, 000| Savings in vehicle losses (2, 100 @ \$700)| \$1, 470, 000| TOTAL BENEFITS| \$49, 530, 000| | | COSTS| AMOUNT| Additional cost per car for improved fuel tank (11, 000, 000 cars @ \$11)| \$121, 000, 000| Additional cost per light truck for improved fuel tank (1, 500, 000 cars @ \$11)| \$16, 500, 000| TOTAL COSTS| \$137, 500, 000| REFERENCES Desjardins, J. 2006, An Introduction to Business Ethics, 2nd Ed, McGraw-Hill, Boston. Duty. (2009), In Merriam-Webster Online Dictionary, viewed 4 September 2009, . Frontline Web Services 2003, A dangerous business, viewed 30 August 2009, . Frontline Web Services 2003, Two Companies, Two Visions, viewed 30 August 2009, . Frontline Web Services 2008, The McWane Way Today, viewed 30 August 2009, . Johnson, C. E. , 2007, Ethics in the Workplace – Tools and Tactics for Organizational Transformation, Sage Publications, Thousand Oaks, California. Mill, J. 1861, Utilitarianism, page reference in the text is to the reprint in Mill, J. , 2002, Utilitarianism, Sher, G. (ed), Indianapolis: Hackett. Trevino, L. K. and Nelson, K. A. 1995, Managing Business Ethics – Straight Talk about How to do it Right, John Wiley & Sons, New York. BUSINESS REPORT REFLECTION

Team Name: United ZZQS Name: Lianji Zhu Name used in class: Ada Student ID: 3305449 Signature: Percentage: 100% for the entire group I already did some groups assignments in Australia, but in particular, this group was extremely efficient and everybody was very engaged to have the best project report. I believe that all the members of the group were willing to work and learn from the other members and we achieved a great job in a productive and friendly atmosphere. ? Name: Jiabin Zhu Name used in class: Tedio

Student ID: 3272385 Signature: Percentage: 100% for the entire group I really enjoyed working with my group members. Everybody was very organized and completed the schedule that we agreed in the Team Contract. The entire group researched, analyzed and wrote what we scheduled. In addition, all the group members always communicated by e-mail and 'MSN', supplementing by in-person meeting and class work, trying to improve and solve our doubts. I am totally satisfied with my team members and the effort that all team put to have the best report done. Name: HaoQiu Name used in class: Adam Student ID: 3276074 Signature: Percentage: 100% for the entire group

In the group project, I really enjoyed working with all my team members. We tried our best to achieve a very professional project. I am very satisfied with the job that the entire group did. Name: Leandro Sacramento Name used in class: Leandro Student ID: 3204054 Signature: Percentage: 100% for the entire group Being my first semester doing a Master of Commerce, I was anxious to work being the only Brazilian in the group. But, that was a really good surprise and rich experience for me. The entire group was extremely

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organized and respects all the due dates stipulated in the ' Team Contract'. I really enjoyed working with them and I hope to work with them in other assignments in the future.