



Online Ethics Center
FOR ENGINEERING AND SCIENCE

Minority Contracts in Engineering

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Description

A case in which one company has a surprisingly close relationship to a sub-contracting company, and the boundaries between the two may be compromised.

Body

You are a lead engineer with the Lesak structural design firm and have been working with this company for some time. Bill is the owner of Lesak and has successfully operated the business for over twenty years. You respect Bill and hope to move up in the company as your relationship grows.

In order to improve access to government contracts Lesak often uses subcontractors from minority-owned firms. Most large public works projects include monies set aside specifically for employment of such companies, and applicants must satisfy the requirement to employ them in order to compete effectively. Recently, Bill has strongly encouraged you and others in your company to rely heavily upon the services of the MBE Design Group, a minority-owned firm which has done only minor work for you in the past. Although a typical procedure would be to offer up sub-contracting jobs for competing bids, if a company is willing to do the work for a reasonable price, you can save considerable time and energy by just offering them

the job directly. Bill insists that MBE is more than willing to work within your budget constraints. Upon contacting MBE you realize that your boss' 22-year-old daughter Myrna is the firm's vice president. Myrna states that she purchased partial ownership in the company using a loan from her father.

1. Does Myrna's ownership in the firm represent a "conflict of interest" for you in hiring MBE?
2. Is it ethical to offer any jobs to MBE without taking competing bids?
3. What, if anything, should you do at this point?

Over the next year and a half MBE continues to provide services for Lesak. They do adequate work, and Bill is very proud of his daughter's initiative and involvement in the company. You notice that several of the MBE employees have worked directly for Lesak in the past. You have doubts about Myrna's managerial and business skills but feel that the company president and majority-owner, Howard (an African American who ran the company alone for 5 years before taking Myrna as his partner), is a skilled manager and engineer. No significant issues arise, and so you continue to request MBE for many of Lesak's minority business contracts. When Howard dies suddenly of a heart attack, he is quickly replaced as president by his widow Eileen. Eileen is a full-time professor at a local university with little business or engineering background. You suspect that her appointment as president is merely a front to keep the company's "minority" and "independent" status and feel that she is unqualified for the position.

4. Should you question this new appointment? If so, how?
5. Should Eileen's appointment as president change the relationship between Lesak and MBE?
6. You discover that 85% of MBE's contracts come directly from Lesak. Is this an appropriate business relationship? Would it make a difference if only 40% of MBE's contracts came from Lesak?
7. Does the relationship between Lesak and MBE satisfy appropriate standards of professional or business ethics? What is your responsibility?

Notes

This case is based on publicly accessible information regarding actual events that occurred in Rhode Island. You can see this [newspaper article](#) for more information.

Rights

Use of Materials on the OEC

Resource Type

Case Study / Scenario

Topics

Bidding Process

Conflict of Interest

Diversity

Employer/Employee Relationships

Social Justice

Workplace Ethics

Discipline(s)

Civil Engineering

Computer Sciences

Computer, Math, and Physical Sciences

Engineering

Research Ethics

Publisher

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