John B. Dilworth's Commentary on "Conflicts within a Manufacturing Firm"

Commentary On
Conflicts within a Manufacturing Firm

Is there in general anything ethically unfair about an internal unit of a company receiving information from other units of the same company, which information is not made available to outsiders? Put in this general form, surely our answer has to be no. A business, and particularly a private business with no legal public disclosure requirements, is free to organize itself internally and move information around in any (legal) way it sees fit. Equally, it can relate externally to people or other businesses in any legally sanctioned way.

Secrecy in business is valuable, in that it is a prime factor in achieving a competitive edge in a company's dealings with others, and hence in improving the overall competitive health of an economy. But most kinds of 'external' secrecy would be a severe handicap to companies if they had to be practiced internally, and so would work against the interests of a capitalist society. Thus any ethical theory which generally supports capitalism is unlikely to defend internal secrecy requirements, whether in the name of fairness or for other reasons. If there were exceptions, they would have to be individually argued for.

So in the present case, the burden of proof is on those who would claim that there is something ethically unfair about an internal unit receiving information (about competitive bids) not available to outsiders.

Here's a more specific reason for thinking that internal sharing of information is morally legitimate in the present case. Suppose the situation were somewhat different at T&D Manufacturing, as follows. T&D has been internally producing the tools in question, with no outside help, but now would like to check whether it would be cheaper to 'outsource' the production, i.e., get external companies to produce the tools. So they request competitive bids from outsiders. In this case, the internal T&D tool and die department is central to current production and centrally involved in the new inquiries about relative costs for outsourcing, so it would be ridiculous to suggest that they should not be fully informed about the external bids received.

This example suggests that the initial case seemed unfair because the internal department was not initially involved. Thus it might have appeared to belong in a group with the external companies which are also not directly involved in business decisions of T&D. However, as the example shows, the involvement or non-involvement of any internal unit can easily be changed by circumstance or company policy. Since these matters are so variable, they cannot justify situation-independent judgements about the unfairness of the relevant kind of information-sharing.

If we accept that ethics does not require internal business secrecy, there might nevertheless be sound business reasons for restricting internal information-sharing in some cases. For example, it might be that as a matter of fact the most accurate method of estimating actual costs of production involves restriction of information about the costs of competitors. If so, business self-interest rather than ethics would dictate a 'sealed bid' approach.

Another example is provided in the case itself. If outside vendors are unhappy with a bidding situation in which an internal unit has an advantage, and if this affects their willingness to bid, then again prudent T&D officials might consider internal restriction of information so as to keep their suppliers happy. But here again it is the interests of their own company, rather than ethics, which is at work in their thinking.