

Joseph Ellin's Commentary on "Shortage of Components"

Commentary On
Shortage of Components

I

Ruskin Manufacturing has made a commitment which it evidently cannot meet. A component is in short supply and Ruskin cannot meet its deadline to deliver completed machines to Parker Products by the 10th of the month. The problem falls into the lap of Tim Vinson, head of quality control. None of the options he thinks of seem particularly appealing. No explanation is given of why the component is in short supply, or why Tim doesn't find this out until the 8th, or whether he could or should have done something to assure that, short supply or not, his share of the components would arrive on time, except that he is said to "feel responsible" for not seeing the problem earlier. It is possible that he or someone has been negligent somewhere along the line; but it seems likely that the supplier is at fault for failing to deliver the components, which suggests that Ruskin has a lawsuit against the supplier and thus a means of shifting any penalty it suffers for failing to make timely delivery to Parker.

The case does not state exactly what is at stake for either Ruskin or Parker if Ruskin fails to deliver as scheduled. If there is only a money loss for both, Ruskin may be off the hook by shifting this to the supplier. This needs to be determined before any drastic action is taken by anyone. So if Tim doesn't know, he ought to find out first thing. First he ought to consult with the person in the company who's familiar with Parker and with Ruskin's contracts with both Parker and the supplier. This might be Arnold Peterson, or it might be someone else. If Tim doesn't have access to that person (how big a company is Ruskin, anyway?), he might find out who does and take it from there. The first requirement in solving a problem is to identify just what the problem is. As quality control officer, Tim would not seem to know enough to be able to reach a good solution on his own, unless he's very lucky!

Another option would be for Tim to call Parker and explain how things stand, and see what they say. Evidently he does not consider doing this, but the case does not explain why he doesn't. Perhaps Tim is not authorized to consult with Ruskin's customers. Or perhaps he thinks that's not his job. In that case, he should find out who is, because it is possible that one of the options Tim is considering, either (1) or (2), might satisfy Parker, who might not be so concerned with impurities, or with getting new components (option 2) when old components would meet minimal standards. Under this condition there is the possibility that Parker might want to renegotiate the contract or invoke a penalty, if the contract specifies such. Presumably Tim isn't the person in Ruskin who would know about this.

Another possibility is that Parker might simply prefer to wait until the specified components arrive. Or perhaps delivery with old components can be made now, and the new components installed at the site when they arrive. The problem is Parker's as much as Ruskin's, since they will either get their machines late, or receive machines which are not quite what they contracted for; and the decision between these choices should be up to them. Parker undoubtedly will not be happy with the news that the components haven't arrived, but they foreseeably will be more unhappy if they receive machines which aren't what they ordered.

The point is that Tim considers two options which would circumvent Parker and in effect deceive it about what it's getting. This is not only dishonest but holds out all sorts of promises of future trouble. Better to admit your failure, even if you're not really at fault--the lawyers can argue over this later--than try to cover it up. But assume that Tim knows, suspects, or discovers that Ruskin would have big problems if it fails to deliver the precisely specified machines at the time guaranteed. So he is reluctant to contact Parker without first trying to improvise something. His obvious next step is to consult with the design engineer, to assure himself that there is no remedy other than (1) and (2). Not being a design engineer himself, evidently, he needs to search for a third solution before acting. To act on his own without enlisting engineering help seems reckless.



Tim does the responsible thing and consults with the chief engineer, who ducks the problem and passes the buck back to Tim. Chuck should lose a few points for surly

non-cooperativeness. However he seems to have confirmed that there is no third engineering option, which is what Tim wanted to find out. There is still the option of contacting Parker. Tim can either take action himself or inform the next level up, which is Vice President Arnold Peterson. Perhaps Arnold will not be happy to have this brought to his attention; evidently there is some reason to suspect that officers at Ruskin company prefer not to know about problems in their company.

But any decision Tim makes commits the company to a line of action which is potentially damaging, might involve a law suit, loss of customer confidence, etc. So he has to decide whether he wants to take this responsibility himself, or whether it properly belongs at a higher level. Tim ought to realize that he does not know enough about what is really at stake for him to make the decision himself whether or not to contact Parker. If in fact Ruskin is protected in its contract with its supplier, Arnold might know this or be able to find out. An assessment of the risk needs to be made by someone in a better position than Tim. So however uncomfortable he feels, Tim really has no choice but to consult with someone else at Ruskin, and this seems to be Arnold.

III (Version 1)

Tim calls Arnold. (a) Arnold's stupid and irresponsible reply gives Tim the green light to do whatever he wants, although "just meet the deadline" presumably means he is not to call Parker. Arnold doesn't tell Tim just what is at stake for Ruskin if the deadline is not met, but his reply certainly suggests that the stakes are higher than Ruskin wants to risk. Thus Tim is effectively excluded from calling Parker. Arnold has in effect committed Ruskin to a conspiracy to deceive Parker and violate its contract. Does Tim want to go along with this and choose one of the 'redesign' options, or does he want to go around Arnold and try and find someone with more sense? The uncooperativeness of both Chuck and Arnold makes it seem as if Ruskin might be a company in which no one has any sense! (Tim might be part of this, since he never considered talking to Parker in the first place). In that case, Tim had best go along with the bosses, unless he is interested in looking for a job elsewhere.

Since option (2) involves least risk to Parker, if Tim isn't interested in challenging Arnold, he should opt for this. In effect, Arnold has ordered him to do so. However Tim cannot feel he is off the hook because of the vague way in which Arnold put his

instructions. Tim could still do the right thing and contact Parker himself; he would not be countermanding a clear and direct order because Arnold only told him to 'take care' of the problem without consulting management.

Version (b). In this scenario, Arnold is much more forthcoming and gives Tim a clear order, and explains to him the reason for it. Tim now knows there is a lot at stake. Arnold accepts responsibility for faking the delivery to Parker. So from one point of view, Tim is definitely off the hook. He has made his report to management and been told to go ahead and fill the order despite not having the correct components. Arnold says he is unhappy with what they have to do, but he evidently doesn't see an alternative that would protect the company. The machines to be delivered, under option (2), meet minimum standards and will function well. So maybe it's reasonable to hope that Parker's customers will not lose out. If no great issues of safety or reliability are involved, Tim might very well conclude that he is not obliged to go beyond his position in the company and countermand direct orders, especially when Ruskin seems to have a lot at stake in making the delivery on schedule.

But Arnold's reason raises some very interesting ethical points. Should Ruskin as a company and Tim individually go along with Parker? In Arnold's opinion (how he knows this, he doesn't say), Parker is playing a very cute game with its own customers. They are willing to pass along inferior machines provided the customers don't know and can't blame them, Parker, if they do find out. Parker would seem to be guilty of culpable ignorance: deliberately overlooking a possible problem in order to pretend that you aren't responsible for it. This is unethical on Parker's part; but does Ruskin have an obligation to force Parker to act ethically by telling them about the problem, even if they don't want to know about it? I think it depends on just how serious a problem it is.

If Parker's customers were to have serious problems with the inferior machines, then Ruskin would be culpable for not informing Parker so that Parker could inform its customers. In this case, the substitutes meet minimal safety standards, and the fact that the substitution is probably going to be undetected indicates that the substitute machines function just as well as the ordered ones. The customers are harmed only by being deceived, and not in any other way. So assuming Arnold is correct in implying that relations between Ruskin and Parker would be soured if Ruskin informed Parker of the problem, Tim and Ruskin are probably justified in not doing so. It might even be argued that they are rather self-sacrificing in this course, since they would be protecting Parker by assuming all liability should Parker's customers

find out about the switch and complain. One hopes that Parker appreciates this nobility on Ruskin's part.

Version (c). In this version, Arnold is out of town and 'cannot be reached.' Has Arnold left the planet? If so, who's doing his job while he's out in space? Since it's important that Tim consult with someone, Tim has the duty to find Arnold or someone else and get the advice and information he needs.

III (Version 2)

Tim does not call Arnold, because he thinks Arnold does not want to be bothered. Not calling Arnold is a mistake for the reasons given above, and Tim should have to expect to answer to Arnold for it. Why does no one in Ruskin Manufacturing want to accept responsibility for tough decisions? Tim might point out to Arnold the self-defeating corporate culture of 'don't bother the boss.' Since Arnold is a VP he presumably contributes to this. So he can't back-track now and complain that Tim didn't bring him this problem. However Tim might not find it expedient to say this. So he has little choice but to defend himself as best he can: that the components didn't arrive and he did the best he could. That the chief engineer informed him that there was no option anyway. That he considered informing Parker but didn't consider it wise to do so. That it is not too late to tell Parker now, if that's what Arnold wants, and offer to install the new components as soon as they arrive.

IV

The chickens come home to roost as Tim and Ruskin's luck turns bad. Tim has substituted the old components but the machines don't function as well as they are supposed to and Parker has discovered the substitution. Honesty might have proved the better policy. At the meeting to explain things to Parker, he has to put the best face on it: the components didn't come so he substituted something which ought to have worked just as well. Ruskin naturally will pay for damage, lost production, or whatever the loss to Parker has been. He had better ask to talk first to Arnold to make sure they have their signals together before seeing the Parker person.

V

Would it follow that Tim had acted appropriately if Parker never found out? No, it doesn't follow that Tim acted appropriately. It doesn't follow that he didn't either. Nothing follows from the fact that a questionable act is not discovered. Whether or not he acted properly follows from what's been said above.

Summary: evidently Ruskin's best course would have been to contact Parker and so Tim's course was to try to get an officer of Ruskin to authorize this. However possibly not contacting Parker could be excused if the stakes for Ruskin are sufficiently high and if the damage to Parker is sufficiently trivial. But Ruskin has to be prepared to pay the penalty for this course of action, should Parker find out about it.