Lea P. Stewart's Commentary on "Requested to Falsify Data"

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Requested to Falsify Data

Tad Tuleja in his book, Beyond the Bottom Line (Penguin Books, 1985), discusses five stakeholders of the modern corporation--owners, employees, customers, community members, and society. He claims that companies are ethically obligated to consider the best interests of each of these groups when making decisions. And he even contends that it makes good business sense to do so. This case can be analyzed by examining XYZ's responsibilities to these five groups.

Assuming that XYZ is a public company, the stockholders are the owners of the company. It would be easy to say that XYZ stock will do better if the company never reports a chemical spill to the state. This is a valid assumption if XYZ truly never has a chemical spill. Under the present circumstances, however, it seems that XYZ has had a number of spills. What will happen to the company's stock (and, thus, the owners' investments) if people learn that XYZ has been covering up chemical spills for years? Is the potentially bad publicity worth the short term gain of not reporting several relatively minor spills as they occur?

What are the implications of this case for the employees of XYZ? Clearly, Stephanie Simon's refusal to modify her data cost her a job. Bruce Bennett is now in the ethically uncomfortable position of feeling that he has to change his calculations to avoid angering his boss. Adam Baines' reluctance to report chemical spills to the state encourages his employees to change their data to avoid the necessity of filing reports--in other words, to lie. Sissela Bok reminds us in her book, *Lying* (Vintage, 1978), that lies harm the liar as well as the person being lie to. Adam's reluctance to file reports with the state is potentially harmful to both the state and to Bruce.

How are XYZ's customers affected by this situation? XYZ has a reputation as "an environmental leader in the chemical industry." XYZ probably has gained a number of customers because of this reputation, but this reputation appears to be unjustified. Is it ethical to solicit business from customers based on a corporate reputation that is misleading? Can an "environmental leader" ignore regulations when it feels that the industry is over-regulated? Do its customers deserve to know this fact?

XYZ has violated its responsibility to its local community when it refuses to report chemical spills that the state has mandated should be reported. The state has determined the acceptable limits for reporting spills. XYZ violates the trust of the community if it does not comply with these regulations. If XYZ truly believes that these regulations are excessive, it should work to change them at the state level.

The final corporate stakeholder, according to Tuleja, is society. How is society affected by XYZ's actions? Our democratic society is based on principles of openness and trust. Businesses are expected to deal with their stakeholders in an open manner. Individuals trust corporations to deal with them ethically. Of course, all corporations do not uphold these principles at all times. But if the majority of companies grossly violated these principles most of the time, our system would collapse. Adam Baines' actions may seem like a minor violation of the system. He refuses to report "a few gallons over the limit." But how much is enough to report? If a company begins to violate reporting standards, when does it decide that a spill is big enough to report? What happens when each company decides to draw the line differently? Eventually, who will report anything?

Adam's actions are like the ripple that occurs when a rock is thrown into a pond of water. One action has an effect that reaches far beyond the initial circumstance. Failing to report a "small" chemical spill is a violation of ethics that can have an impact on a company's owners, employees, customers, community members, and even on society.