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FOR ENGINEERING AND SCIENCE

A Software Sales Dilemma

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Description

This case discusses issues of individual and corporate responsibilities, ethics in the hiring practices of expert consultants, and ethics in selling procedures for enterprise software.

Body

SpeechGenius, a young software company based in the U.S., was planning an IPO (initial public offering). Its product, based on novel speech recognition and speech synthesis technologies, was used in call centers and mobile telephony applications. The company had originally developed its software for U.S. English. Establishing itself as the clear global market leader in multiple languages and geographies was critical to the company having a successful IPO. Pressure to sign substantial deals with well-known enterprise customers was extreme, especially in EMEA (Europe Middle East and Africa).

Susan, a U.S. citizen who spoke English and French, but no German, was based in London at the SpeechGenius EMEA headquarters. She ran the EMEA technical team, which was responsible for product localization and technical sales support.

Peter, a French citizen whose mother was German and who had lived part of his life in Germany, and who spoke French, German, English, and Dutch, was based in Amsterdam. Peter ran the EMEA sales team.

Susan and Peter each managed their own budgets and teams. They reported separately to different senior leaders at the company's U.S. headquarters in California. They had a close working relationship and collaborated on all sales deals in EMEA, with Peter taking the lead. Susan and Peter also each held substantial numbers of pre-IPO stock options in SpeechGenius.

Susan occasionally hired local EMEA-based contractors to help with technical product development, especially where local knowledge was needed that her full-time team members did not have. She also sometimes sponsored research contracts at universities in the region, mainly as means to establish recruitment channels for hiring new engineers.

Peter and Susan were having serious challenges in establishing the first sales contracts in Germany. Potential buyers in Germany were suspicious of the ability of a U.S.-based company to do a good enough job with the software needed to process their language reliably. Peter, under tremendous pressure to reverse a year-long losing streak of attempts make a first big sale in Germany, approached Susan with this proposal:

Peter had met a well-known German university professor, respected by both academic and corporate leaders, who was often hired as an external consultant when enterprises were considering software purchases in the call center and telephony spaces. Peter had negotiated a deal with the professor. If Susan would hire the professor as a consultant for a (significant) stated sum, the professor would write a report that extolled the virtues of the company's products and would speak highly of the company's products when asked for an opinion. Peter was confident that this would help cement an all-important first sizeable deal in the country. Peter also thought that this was "just like" what Susan had been doing with her previous contracts with external consultants and regional universities.

Susan asked Peter what the proposed contract activities were to be with the professor. Would the professor help with product development? Would the professor be doing some kind of research related to future product features?

Peter responded that no actual work would be required or performed. Only a general consulting contract with payment would be required.

Discussion Questions

1. What should Susan do?
2. What are Susan's responsibilities to Peter?
3. What are Susan's responsibilities to SpeechGenius?
4. What are Susan's other responsibilities?
5. What are SpeechGenius's responsibilities?
6. Does it matter that Peter knows German language and culture better than Susan?
7. What if Susan agrees to Peter's proposal, and the professor's report makes it possible for SpeechGenius to sign its first big deal in Germany, and the software works fine?
8. What if Susan agrees to Peter's proposal, and the professor's report makes it possible for SpeechGenius to sign its first big deal in Germany, and the software doesn't work well?
9. What if Susan does not agree to Peter's proposal, and SpeechGenius never gets a deal in Germany, and this causes the IPO to fail or underperform?

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