



Online Ethics Center
FOR ENGINEERING AND SCIENCE

A Lab Buildout Dilemma

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Description

This case discusses issues of individual and corporate responsibilities, ethics in the purchase and delivery of lab equipment across national borders, and ethics in employment practices for expatriate executives.

Body

Bigtime Consulting is a large global company that is officially based in a tax friendly Caribbean country but in practice is run from the U.S. The company is traded publicly on a U.S stock exchange. BC provides enterprises and governments around the world with services such as strategic consulting, systems integration, and process outsourcing.

At the time that this scenario occurred, BC's annual revenues were \$41B globally. The company's leadership was working hard to expand into markets outside of its traditional strongholds in North America and Western Europe. As part of this move, a major initiative was underway to establish and grow BC's presence in India, both as a source of labor for global activities and to gain access to growing markets in South Asia. Pressure to establish a "high end thought leadership position" in India was mounting on the company's executives in India, as it was thought this would have a

major impact on BC's ability to charge premium rates for work performed by teams in the region. About half of the executive team at BC working in India were local talent. The other half were leaders brought in from the U.S. and Europe as expatriates. Among these "expats" the majority were men of Indian descent.

Katrine, a U.S. citizen who was not of Indian descent and was new to living and working in India, had been hired and trained for six months at BC's headquarters and then transferred to India. Her remit was to establish a world-class research and prototyping lab for BC in Bangalore, India's high tech "hot spot." Katrine had a Ph.D. from a top engineering school in the U.S. and a multi-decade track record in successfully establishing new software R&D organizations in both in Silicon Valley and Europe.

During graduate school, through the guidance of her advisor, Katrine had joined IEEE (originally the Institute of Electrical and Electronics Engineers, now the world's largest technical professional society whose work is focused on advancing innovation and technological excellence for the benefit of humanity). Katrine had previously seen that the [IEEE Code of Conduct](#) and the [IEEE Code of Ethics](#) reject bribery in all forms. So, she had some basic understanding that ethical issues related to bribery could sometimes come up in her line of work.

Katrine's preparation and training provided by BC in the U.S. prior her deployment to India included a two-day intensive training course on U.S. anti-corruption laws and BC's corporate practices. During this training, Katrine learned:

- Bribery in any form is illegal
- Bribery is punishable with severe fines and imprisonment
- Bribery takes many forms, including the use of intermediaries for payment
- If arrested or charged with bribery while in India, BC would not take responsibility for Katrine's actions in any way - she would be on her own both legally and financially

When Katrine arrived in India, she began working with local Indian BC executives to build and equip the new R&D lab. The materials for the building itself were all available locally, but the electronic equipment needed for the labs inside had to be imported from the U.S.

Katrine's superiors at HQ in the U.S. had given her a very aggressive deadline for opening the lab. Anticipating that lead times on delivery of this equipment would be

long due to complicated import procedures, Katrine ordered and arranged for shipment of the hundreds of thousands of dollars' worth of specialty equipment needed right away. She kept in regular contact with her U.S. suppliers, tracking their send dates carefully for each item.

A few months after placing her orders, one of her suppliers in the U.S. notified her that Katrine's first major shipment had arrived in India. The next day, Katrine was contacted by telephone by Nidhi, a BC employee she had not met before. Nidhi said that she had a services contract in the amount of 2,000,000 Rupees (about US\$26,000) that Katrine needed to pay so that the equipment could be delivered.

Katrine, surprised by this request for what was an unanticipated expense, asked for clarification. Was this an import duty that was being paid to the Indian government? Nidhi said no, it was a service fee. Katrine asked what the service being rendered was – was it for transportation, for instance? Nidhi said no, it was just a service fee, and that it was completely normal and not a big deal. Katrine asked what would be listed on the invoice as the service rendered, and Nidhi said, just the word "Services."

Katrine felt confused and nervous. Something didn't seem quite right. She told Nidhi that she would get back to her, and then hung up the phone. Katrine then walked over the office of a senior executive who was of local Indian origin and described what had just happened. Upon hearing Katrine's story, her colleague laughed and said, "Yes, you just have to pay these fellows and then they get your gear out of customs. Otherwise, who knows when or if you'll see your stuff." Katrine later checked with another local Indian colleague who said almost exactly the same thing.

Katrine realized that she was being pressured to pay a bribe. It seemed she had stumbled into a smoothly orchestrated but corrupt system that was considered normal business practice. Further, it appeared that paying this "service fee" (and probably future versions of the same) would likely add around 10% to the cost of her lab equipment, which was an unbudgeted expense.

Katrine felt like she was stuck between a rock and a hard place. If she didn't pay the bribe, she would miss her tight deadline. If she did, she would have to find a way to explain the extra costs without revealing to her U.S. bosses that she had broken the U.S. anti-corruption laws.

Discussion Questions

1. What should Katrine do?
2. What are Katrine's responsibilities to BC?
3. What are Katrine's other responsibilities?
4. What are the responsibilities of BC's local Indian leadership?
5. What are the responsibilities of BC's leadership at HQ?
6. Does it matter that this practice of paying "service fees" to help facilitate import is considered totally normal in India?
7. What are Katrine's risks if she pays the bribe?
8. What are Katrine's risks if she doesn't pay the bribe?

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