

Author's Commentary on "A Lab Buildout Dilemma"

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A Lab Buildout Dilemma

The elements of this case, "A Lab Buildout Dilemma," are intended to foster discussion of the ethics involved in doing business in a global context. Linguistic, cultural, and legal differences between parties involved in transactions can cause confusion and make ethical decision-making difficult. Personal financial and professional consequences can also cloud issues. This commentary will address these questions from the points of view of the individual involved as well as the companies and institutions the question may touch. Some additional details will be added here to help supplement the discussion.

Further Background

Katrine officially reports to the Chief Technology Officer of BC, who is based at HQ in the U.S. BC in India is led by a local Indian executive, who reports to a different C-level executive in the U.S. who is a peer of Katrine's boss.

Katrine's Options

1. Katrine could simply refuse to pay the service invoice. This option would keep Katrine strictly in line with the ethical behavior she very much wants to support. But this path is not likely to lead to a good outcome in building and launching the new R&D lab. Katrine has a responsibility to BC - its employees, customers, and investors - to make the project a success by meeting the aggressive timeline she had been given by her bosses in the U.S.
2. Katrine could just pay the service invoice. Given that this practice appears to be commonplace in her Indian work environment, the risk is low that Katrine will be arrested or charged under U.S. anti-corruption law. No one else has ever been arrested or charged, never mind ended up in prison. This is clearly what her local colleagues expect her to do. She can probably find some other way to cut costs to

make up the difference so that she doesn't have to go back to her bosses in the U.S. for more money. But getting caught and having to deal with the consequences on her own would be permanently devastating to her.

3. Katrine could formally report her situation to the most senior executive in BC's Indian organization and ask for guidance or help. Katrine suspects that this might lead short term to someone else within BC in India paying the "service fee," which would get her off the hook for the moment. But she also suspects that this would lead to her assignment in India being terminated early, because she would be seen as uncooperative and unwilling to adapt to local norms. Based on what she has observed in her time at BC in India, she thinks that the local BC leadership is unlikely to address the larger question of corrupt practices directly. These practices appear to be extremely commonplace and normal in India.

4. Katrine could formally report her situation to her boss in the U.S. and ask for guidance or help. Katrine anticipates that this will lead to a disruptive round of communications between the senior executives at HQ and those in India, with the U.S.-based leaders making very clear public statements that the practice of these "service fee" payments is against company policy, but with little or no change in actual practice on the ground. She also suspects that this would lead to her future career opportunities within BC being limited.

Discussions of the options that Susan has available will very likely touch on:

- What's best for BC's growth and health as a company?
- What's best for Katrine as an individual?
- What is BC required to do as a corporation? How should BC address these kinds of issues in general, not just in Katrine's case?
- What are commonly acceptable business practices in different countries?
- What are legal business practices in different countries?