

PMBA 1-1 Part 2

Ethical Decisions

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September 29, 2010

Attempt #2

From 1995 to 2002 I worked for Packard Bell (later known as Packard Bell NEC) as a technical support representative. If you were an owner of a Packard Bell machine and the hard drive gave out, when you called the support number I was the person who tried to help. In 1996 Packard Bell was sued by its competitor Compaq over Packard Bell's using factory refurbished parts in new machines. In this paper I want to look at the ethical implications of Packard Bell not telling customers that factory refurbished parts were being used in many machines. To understand why this might be an ethical issue, I will give some background information on what happens with a new computer in 1996 and I will apply the seven steps of ethical decision making from the Maddalena article "Ethical Decision Making Process." (Maddalena, 2007)

In 1996, a top-of-the-line computer could run close to \$3000. Many retail stores carried brands like Compaq, Packard Bell, AT&T, and Gateway 2000. When customers purchase a product advertised as "new," the expectation is that all of the parts that make up that product will be new as well. For example, consumers would be pretty upset to find out that a car purchased as new had a used transmission. Though in the computer industry, circa 1996, many companies had policies in place that said if computers were returned; technicians would take apart the computers and test the internal components to see if they would still work. Serviceable parts were then placed back on the assembly line and put into new machines. Compaq accused Packard Bell, in their lawsuit, of taking returned computers from stores and then shipping those computers to different stores and selling in them as new.

Fixing any problems in a computer is difficult and can't be easily seen after-the-fact if someone has attempted and failed. The ethical issue in this situation arises when a computer is purchased and taken home. If the owner ran into problems and tried to fix them by working inside the computer without taking the anti-electro-static procedures into account, there is a

possibility of getting an electric discharge that disrupts the electronics. When your older sibling scoots across the floor with a pair of wool socks on and then touches you on the back of your ear giving you a loud and painful ZAP, that's a very grand version of what could happen when working on electronic parts. Though with sensitive electronics, the discharge doesn't have to be as dramatic to cause major damage. Unlike cars, computer parts don't come with odometers. There's nothing to tell you how long a piece of equipment has been used before you use it. When a company took back a defective computer, retested all the parts, and put them into a new case with a new box the average consumer would not be able to tell. It would be tough even for an expert to judge whether a CPU has been used previously.

In its defense, Packard Bell said that this practice of using a factory refurbished part in new machines was a common practice throughout the personal computing industry. Several companies admitted that they did refurbish parts for new machines with two notable exceptions being Apple and Gateway 2000. The computer industry is notorious for having very small profit margins, so using refurbished parts in new machines was one of many cost-cutting measures companies used. I believe the reason this is an ethical issue comes from the lack of disclosure.

In the next section, I will look at Packard Bell's ethical issue by applying Maddalena's article "Ethical Decision Making Process." (Maddalena, 2007)

1. State the Problem

Packard Bell customers who are purchasing "new" computers from retail outlets are not being told that their new computer may have been made with factory refurbished used parts.

2. Gather Information

Many computer manufacturers are conducting business in the exact same way. Some businesses that are not using refurbished parts are being seen as higher quality products. The

sources are trade magazines such as PC Magazine and anti-Packard Bell customer-created websites. The websites include a collective of angry customers that have started a ribbon campaign called the gray ribbon campaign against Packard Bell computers. Internal to Packard Bell the major players are Beny Alagem the CEO of Packard Bell, their legal team, and their support staff. External from Packard Bell are trade magazines, Compaq, the Better Business Bureau, and state consumer protection agencies. Decisions made about the used parts will be far reaching because all Packard Bell computers will be affected. This problem exists for computers that are on the shelf, in inventory, and ones that have already been purchased.

3. Restate the Problem

The issue is: Customers who buy Packard Bell computers don't know the machine might have used parts.

4. What is the Best Possible Outcome?

The best possible outcome for Packard Bell would to create a disclosure statement that is clear and given to consumers at the point of purchase. Then everyone would be satisfied with the solution and causes them to drop their lawsuits.

5. List all the Options.

The first option would be to stay the course, not do anything, and hope the problem goes away. Business been done this way for years and so it could just blow over. On the opposite side of the spectrum, Packard Bell could stop using factory refurbished parts in its computers altogether. This option would mean that Packard Bell would need to raise prices on their machines because of the lost revenue from volume. They would probably also need to raise quality standards for the parts and for the Q/A process, which would also subtract from the bottom line. Packard Bell would then need more or higher paid employees to make sure that the

higher quality parts are working. The line of computers would have better quality, but would also require a premium price.

A middle of the road between these two extremes could look like this: Packard Bell would start by purchasing better quality parts and do more quality testing. Then they would create a better consumer information packet or information disclosure for the customers that are purchasing new computers at the store. Then they could extend existing product warranties. Using the better quality parts in the warranty work will cut down on customer's complaints and hopefully turn angry customers into advocates. This is a long-term, incremental solution that helps the brand image in the consumer market and in the media.

6. Test All of the Options

The "staying the course" option is legal but it will not withstand public scrutiny. If customers find out that Packard Bell is basically ignoring complaints and going forward with a business as usual approach they will be very upset. This anger will eventually turn into anti-Packard Bell movements and class-action lawsuits. I think the "do nothing" approach is consistent with the personal, professional, organizational, and community values. Again, because this was a common industry practice there wouldn't much need for change. The decision won't really set a precedent so the decision could change course later (but not addressing consumers concerns is not a great way to stay in business.)

Next we'll test the "stop using used parts" option. Going this route would play great in the media and boost customer confidence by satisfying their concerns about the refurbished parts. It would not be consistent with organizational goals to provide affordable computers to people because the skyrocketing manufacturing costs would make the product too expensive to carry at retail outlets. This option would definitely set a precedent. Implementing this option

would mean never using refurbished parts ever again. All future manufacturing of computers or parts would be beholden to this decision. Only being able to purchase new parts would mean all future products would carry premium price.

The middle of the road decision takes what I believe is the best parts of each of the two extremes. It is legal and would be well met by consumers and media outlets. It would be consistent with organizational goals by allowing the company to still sell reasonably priced computers. The precedent set by this new, slightly higher standard for parts wouldn't tie Packard Bell's hands but it would set new quality standards that would need to be followed from then on.

7. Implement.

Based on my review of the options, I would choose the middle the road option. I would begin by getting senior management on board with the new program. I would follow with internal and external public relations campaigns. The internal campaign would focus on educating our employees on how to explain to our customers on why using used electronics in computers is not necessarily a terrible thing and is a determining factor on the low price of the machine. The external campaign would also work to educate the consumer on why this is the way we do business. I would also extend the warranties of existing customers to calm concerns. Finally, the advertising department would come up with new, easy-to-read labels that explained how we use the serviceable parts in plain English.

From there we would carefully watch sales numbers, media channels, and opinion polls to see if they change. If they do change in the right direction, we will keep moving forward. If not then we would return to this decision-making process and start over.

How do you make decisions?

Unfortunately, I have not had a structure as thorough or detailed as the one provided for this paper for decision making. Like most people who have had no formal training, I believe I come to snap judgments and then only later searched for an ethical standard or moral justification to explain my actions. I don't think this approach is entirely wrong. Cognitive scientist Jonathan Haidt compares this way of making moral decisions to judging aesthetics (Haidt, 2001). Haidt explains that when I walk into a room, I make many snap judgments. That chair should be in the other corner, the curtains don't match the artwork, but the carpet is really nice and so on. I don't pull out a color wheel and check the room for a color scheme, something feels wrong and later I could find out what it is. Steven Quartz, associate professor of philosophy at the California Institute of Technology, said at a 2009 discussion of ethics sponsored by the John Templeton Foundation "Our brain is computing value at every fraction of a second. Everything that we look at, we form an implicit preference. Some of those make it into our awareness; some of them remain at the level of our unconscious, but ... what our brain is for, what our brain has evolved for, is to find what is of value in our environment." (Brooks, 2008) I think the advantage to the decision-making model I went through in this paper is; it is an outward expression of the internal process so it can be understood and evaluated by others.

In conclusion, I have the benefit of hindsight for Packard Bell's decision to stay the course. Packard Bell continued to use factory refurbished parts in their machines. This led to many arguments with customers over the warranty, several class-action lawsuits, and ended with the company pulling all of its business out of North America. Packard Bell still has a presence in Europe where its reputation is still good.

References

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