

RESOLVING ETHICAL BUSINESS CHALLENGES*

Albert Chen was sweating profusely in his Jaguar on the expressway as he thought about his options and the fact that Christmas and the Chinese New Year were at hand. He and his wife, Mary, who were on their way to meet Albert's parents at New York's John F. Kennedy International Airport, seemed to be looking up from an abyss, with no daylight to be seen. Several visits and phone calls from various people had overwhelmed them.

Albert had graduated with honors in finance after marrying Mary in his senior year. They had both obtained prestigious brokerage jobs in the New York area, and both had been working killer hours to develop their accounts. Listening to other brokers, both had learned that there were some added expenses to their professions. For example, they were told that brokers need to "look" and "act" successful. So Albert and Mary bought the appropriate clothes and cars, joined the right clubs, and ate at the right restaurants with the right people. They also took the advice of others, which was to identify the "players" of large corporations at parties and take mental notes. "You'd be surprised at what information you hear with a little alcohol in these people," said one broker. Both started using this strategy, and five months later their clients began to see significant profits in their portfolios.

Their good luck even came from strange places. For example, Albert had an uncle whose work as a janitor gave him access to many law offices that had information on a number of companies, especially those about to file for bankruptcy. Mary and Albert were able to use information provided by this uncle to benefit their clients' portfolios. The uncle even had some of his friends use Albert. To Albert's surprise, his uncle's friends often had nest eggs in excess of \$200,000. Because some of these friends were quite elderly, Albert was given permission to buy and sell non-risky stocks at will.

Because both of them were earning good salaries, the Chens soon managed to invest in the market themselves, and their investments included

stock in the company for which Mary's father worked. After 18 months, Albert started working for Jarvis, Sunni, Lamar & Morten (JSL&M). JSL&M's reputation was that of a fast mover in the business. "We go up to the line and then measure how wide the line is so that we know how far we can go into it," was a common remark at the brokerage firm.

About six months ago, Mary's father, who was with a major health care company, commented that the management team was running the company into the ground. "If only someone could buy the company and put in a good management team," he mused. After that conversation, Mary investigated the company and discovered that the stock was grossly undervalued. She made a few phone calls and found a company that was interested in doing a hostile takeover. Mary also learned from her father that if a new management were acceptable to the union, the union would do everything in its power to oust the old management—by striking, if necessary—and welcome the new one. As things started to materialize, Mary told several of her best clients, who in turn did very well on the stock. This increased her status in the firm, which kept drawing bigger clients.

Albert soon became a player in initial public stock offerings (IPOs) of new companies. Occasionally when Albert saw a very hot IPO he would talk to some of his best venture-capital friends, who then bought the IPOs and gained some very good returns. This strategy helped attract some larger players in the market. By this point in his young career, Albert had made a great many friends.

One of those friends was Barry, who worked on the stock floor. As they were talking one day, Barry mentioned that if Albert wanted, when placing orders to buy shares, he would occasionally put Albert's or Mary's trade before the client order, as a favor.

The first sign of trouble in their lives came when Mary told Albert about what was happening at her office. "I'm getting e-mail from some of the

brokers with photos of wor

"So what asked.

"Well, I've messages if t replied.

"What ab send them o ried Albert.

"I just e- them," was he

"This isn were just fire week," said Al

Several w ing Mary the Mary was also sion. When sh shut the door, that you were ing with the e ward message

result, I have two weeks' no my orders. Be check all your seems to be a

as you well kn firm with that sorry that it's o That night Ma

To exacer were flying in They were no a non-Chines themselves th also said that i and Mary in N the parents' ret the idea of leav learn Mandari miliar culture o

Albert was also having some problems. Because their income was cut in half, Albert tried to make up for the loss by trading in some high-risk markets, such as commodities and precious metals. However, many of these investments turned sour, and he found himself buying and selling more and more to pull his own portfolio, as well as those of his clients, into the black. He was getting worried because some of his uncle's friends' portfolios were losing significant value. Other matters, however, were causing him even more anxiety. The previous week Barry had called him, asking for some inside information on several companies that he was working with for an IPO. Albert knew that this could be construed as insider information and had said no.

Today, Barry called again and said, "Look, Al, I've been doing you favors for a while. I need to score big because of the holidays. You probably don't know, but what I've been doing for you could be construed as spinning, which is not looked upon favorably. I'm not asking for the IPO information—I'm demanding it. Is that clear enough for you, Al? E-mail it over by tomorrow morning." Then Barry hung up.

An hour later Albert's supervisor came in and said, "Al, I need a favor from you. I want you to buy some stock for a few friends and me. When it goes to \$112, I want you to sell it. We'll pay the taxes and give you a little bonus for Christmas as well. I want you to buy tomorrow as soon as the market opens. Here are the account numbers for the transaction. I must run. See you tomorrow."

QUESTIONS | EXERCISES

1. Identify the ethical and legal issues of which Albert needs to be aware.
 2. Discuss the advantages and disadvantages of each decision that Albert could make and has made.
 3. Identify the pressures that have brought about these issues.
- *This case is strictly hypothetical; any resemblance to real persons, companies, or situations is coincidental.

brokers with off-color jokes and even some nude photos of women and men. I just don't care for it." "So what are you doing about it?" Albert asked.

"Well, I've just started not even opening my messages if they come from these people," Mary replied.

"What about messages that request that you send them on? What do you do with those?" queried Albert.

"I just e-mail them along without looking at them," was her response.

"This isn't good, Mary. A couple of analysts were just fired for doing that at a big firm last week," said Albert.

Several weeks later the people who were sending Mary the obnoxious messages were fired.

Mary was also asked to see the head of her division. When she came to his office, he said, "Please shut the door, Mary. I have some bad news. I know that you weren't involved with what was happening with the e-mail scandal; however, you did forward messages that contained such material. As a result, I have no alternative but to give you your two weeks' notice. I know this is unfair, but I have my orders. Because of this mess, the SEC wants to check all your trades for the last eight months. It seems to be a formality, but it will take time, and as you well know, the chances of going to another firm with that hanging over your head are slim. I'm sorry that it's only two months until the holidays."

To exacerbate the situation, Albert's parents were flying in from the People's Republic of China. They were not happy with Albert's marriage to a non-Chinese woman, but they had consoled themselves that Mary had a good job. They had also said that if things should go badly for Albert and Mary in New York, they could always come to the parents' retirement home in Taiwan. However, the idea of leaving the United States, attempting to learn Mandarin, and raising children in an unfamiliar culture did not appeal to Mary.