A managerial dilemma: An ethical case study regarding employee termination

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ABSTRACT

This factual case discusses a managerial decision to either retain or terminate a minimally performing employee after all other options have been considered. This story is about an ill-prepared employee named Jack. He was respected in his company but struggled significantly to barely meet the minimum acceptable benchmarks for his position. This employee also generated sufficient profit for the organization due to his sales activity which justified his position. The manager in this situation struggled with the decision to terminate a profitable employee based on the impact that this would create for several stakeholders who have a vested interest in Jack's continued employment. This case demonstrates that employee termination situations can be complex and that there can be both practical & ethical consequences to these decisions.

Keywords: ethics, employment, termination, stakeholders, human resource development (HRD)

Introduction

In the world of banking & consumer finance, managers are tasked with making hundreds of decisions each day. From approving customer requests to setting sales expectations, and adhering to operational regulations, the role of a front-line manager has substantial responsibilities. Perhaps the most important managerial duty may be the proper attention to a company's primary competitive advantage, its people (Ruona & Gibson, 2004). Though every manager, employee, and situation is unique to a particular situation, this case deals with a common ethical issue related to employment. The issue in this case relates to the potential termination of an employee and the dilemma of either dismissing or sustaining employment based on a variety of important factors. As a classic managerial issue, this case provides a holistic understanding of the many variables that are considered when making an ethical decision like employee termination. As argued by past ethicists, "If we do what is morally right, we are acting as a fully rational being would act; if we knowingly do wrong we are acting irrationally" (Holmes as cited by Timmons, 1999, p. 169). The goal of this case is to demonstrate both a moral and rational managerial decision, if possible.

Employee Background

This situation involves Jack, an assistant branch manager for Intermountain Trust Bancorp, a publicly traded regional bank. Jack had been a long-time employee of his organization, having given over 15 years of service to this company. He was very happy in his current position as assistant branch manager, and often shared that his professional goal was to work for this employer until the day he retired; give or take 25 more years. As a seasoned financial professional, Jack had previously been awarded several district & regional accolades for his past sales successes and increasing his office's profitability. When it came to cross-selling bank products and services, Jack was one of the very best in the entire state. If a sale needed to be made, he would often be brought in to sell bank clients on the benefits of financial products including loans, credit cards, and investment products. Hard work and dedication had earned him a reputation as a skilled salesperson with the ability to be a voice of reason when dealing with difficult customers. Jack was well-liked and he was consistently willing to volunteer for community-focused events to give back to those less fortunate than himself. Daily, he provided coaching/support to his co-workers and earned an upstanding reputation within the region due to his strong work ethic. These are all attributes that made him well respected, appreciated, and cared for within his office. Simply, Jack was a good person who exuded company values and a fostered high degree of personal ethics.

Due to his decade's long successes as a sales representative, Jack was offered the position of assistant store manager at one of the larger bank offices in the area. After accepting this promotion, Jack's hiring manager failed to set training, operational, and managerial goals for him in this new position. This lack of leadership caused a serious delay in acquiring the skills necessary for success as an assistant branch manager. Six months into this role, an unplanned change in branch governance introduced a new manager to this branch, and with it a complete shift in office culture. The new manager had a reputation for setting high expectations and turning around struggling offices by creating sales success. Jack now had a new manager that was completely different from the person who hired him into his assistant manager role originally. Even with the striking differences in management, Jack was eager to learn the skills necessary to be effective as both an assistant manager and office leader.

The Ethical Situation

Jack's new manager set up a clear leadership training program, division of labor, and operational goals for Jack that were consistent with corporate expectations set forth for the assistant manager position. The new manager understood that there were severe training deficits that needed to be rectified, and he acted quickly to invest time and training into helping Jack become a high producing assistant manager. Doing so would ultimately assist Jack in developing the skills and competencies for a manager position if one were to become available in the future (Gilley, et. al., 2009). By all accounts, Jack was a valued employee and one that needed a manager who was willing to provide him with these leadership and training opportunities. This new branch manager was determined to give Jack the confidence boost he needed to succeed through reassurance, learning, and individualized employee development (Gilley, et. al, 2000).

After several weeks under a new manager, Jack was soon faced with a predicament he had never faced in this company; he was now struggling mightily to complete his daily assignments. The burden of balancing managerial duties, coaching employees, and completing required operational tasks began to overload Jack to the point where obvious mistakes were being made. Some mistakes included processing incorrect funds transfers, debiting funds from incorrect customer accounts, failing to submit time-sensitive requests, and forgetting to complete required regulatory documentation. To curb these issues, daily meetings and a system of checks and balances between Jack and his manager came the norm in this office daily. Jack's new manager focused on creating small opportunities and tactical decisions to create the developmental changes he sought for Jack's leadership development (Thoman, et. al., 2018). Regardless of what the new manager implemented, Jack's mistakes seemed to grow in number and frequency. As mistakes continued, Jack's subordinates began to take notice of the mounting number of shortcomings which caused them to blatantly exercise insubordination. His reputation quickly changed from that of being an expert to later being viewed as untrustworthy and barely able to complete the duties of his position. Jack was the epitome of the Peter Principle, a theory that an employee is promoted to their highest level of incompetency without having the proper skills to be successful in their new position (Benson et al., 2019).

Jack's manager was now faced with an ethical dilemma and decision that had significant implications within the local market. Contemporary managerial wisdom argues that the manager should continue to either coach his struggling employee to success, or coach him into a different role/line of work (coach him up, or coach him out) (Nanthivarman, 2017). Granted, this manager could have also just quickly terminated Jack's employment and hired someone with a more refined skill set to take over the assistant manager role. This brazen, yet ruthless option would have allowed for greater freedom in hiring a suitable replacement, however, the ability to hire a replacement was not guaranteed due to ever-changing staffing models. The manager in this case was at an impasse, with three distinct paths that could have been chosen. The branch manager had the option to either:

a) Continue to invest time and energy into helping Jack become a success in his assistant manager position, while also grooming him for future advancement within the organization;

b) Coach Jack into another role (possibly outside of the company) that was more suitable to his individual skillset; or
c) Terminate Jack's employment as he was undoubtedly promoted into the wrong position, and his minimal performance had become a drain on both office culture and corporate resources.

Noticeably absent was the option to demote Jack to his previous position. This option was not an available alternative for several reasons including:

- Jack's previous position has already been filled, and there were no available vacancies for that type of sales position in the local market.
- Jack felt that a demotion in his positional title equated to failure. He felt this would both tarnish his reputation, and create the sentiment that he was a professional failure.
- He had grown accustomed to his current salary/pay scale, and even if a lesser position were to be made available, he would not consider accepting a reduced salary, as it would have affected his current standard of living.
- After spending over a decade in his previous position, Jack believed that he had earned the promotion for this current leadership position, and he did not want to move backward in his career even though he acknowledged that struggled significantly with meeting his job duties.

Before making this termination decision, some additional pieces of information needed to be considered to gain a holistic understanding of the total possible impact of this manager's decision. The choice to terminate employment would not only have affected Jack, but several stakeholders throughout the local market would be impacted. Considering the impact on stakeholders looks beyond organizational profitability but also includes the overall impact of organizational decisions on those affected by firm decisions (Freeman, 1984). These included Jack's personal livelihood, new employees, coworkers, the business' customer base, the profitability of the bank branch, and the local community. Though this may seem exaggerated, there are several additional details worth noting:

Personal: Jack himself has a partial disability and learning issues. He suffers from intermittent memory loss, and he could get easily overwhelmed to the point that he needed to physically remove himself from the office and re-center his thinking. Jack's partial disability created both a legal and ethical situation when decided on whether to terminate his employment or not due to ADA protections and regulations.

New Employees: Jack was consistently the first one to arrive at his office each morning, and normally the last one to leave. When it came to dependability, it is almost guaranteed that he would be there to help his team regardless of the situation. As a past award-winning sales representative, Jack had previously been able to teach new employees how to effectively overcome objections and sell successfully to bank patrons. Losing Jack would mean losing one of the best on the job trainers in the market.

Co-workers: One of Jack's most admirable attributes was his sense of humility. There was no job beneath him, and he would complete any tasks, no matter how menial it may have seemed. Jack loved to work and took pride in being a banker.

Customers: Having had the opportunity to build relationships with clients for over a decade, Jack had developed a very loyal customer base. He has worked at three different offices over the years, and customers would drive out of their way to come to visit him. His level of customer attention and service was unparalleled. Regardless if there were a line of customers waiting for assistance, Jack would give the person in front of him his complete and undivided attention.

Even if it took 20 minutes to answer a simple question, customers knew that they would receive quality and individualized service from Jack every time that they came in. Even to the chagrin of his new manager (based on his slow speed of service), Jack had been able to keep clients loyal to him and the institution due to his level of customer care.
Profitability: As an assistant manager Jack's primary responsibility was to support the direction, vision, and instruction of the branch manager while ensuring that the office exceeded its service, operational, and most importantly sales goals. The branch sales representatives are responsible for directly prospecting and closing deals, while managers acted in an advisory and leadership capacity. When sales were slow, Jack would revert to his sales experience and would begin to cross-sell customers into buying products that they had not to intend to apply for when they came into the office. His sales and conversion rate were far superior to the results generated from some of the newer salespeople, and often Jack was the only person in the office who recorded a sale for the day. The additional effort he puts into selling products and services, had accounted for nearly 20% of sales YTD for this office. Even with his operational and managerial struggles, Jack was still a top salesperson within the region, and the revenue he produced more than justified his continued employment.
Community: Jack was always quick to volunteer for many community activities that the bank was involved with or sponsored. His salary was not exuberant, but he took pride in fulfilling his tithing obligations while taking the little extra that he can afford to help needy (predominantly minority) families in his neighborhood. He opened his doors to people who need shelter, and would often volunteer to take poor children from the church he attended into his home for a home-cooked meal. Jack made every attempt to live a charitable and self-sacrificing lifestyle.

Jack was an important member of this sales team, a giving person, and a well-liked professional. Unfortunately, he was failing to embrace the new managerial vision, thus struggling with his managerial duties. By barely meeting the minimum acceptable goals for his position, Jack caused an extraordinary amount of stress to be placed on his immediate manager. Even with his struggles, the sales that Jack generated greatly helped this office in meeting their financial goals while generating overall organizational profit. Unfortunately, even though profitable, Jack's struggles negatively impacted both the morale and success of the entire office. This manager's dilemma on what to do in a situation where there was no clear answer, just one that was complicated. This branch manager understood that changes needed to be made. The branch manager was aware that he not only had responsibility for the sales/operations/service of the bank within the local market, but he also has an ethical obligation to the employees of the office (Villegas, et. al., 2019). For the benefit of the branch team, inaction nor maintaining the status quo were even considered as possible options. As Jack struggled with leadership, and with his mounting number of mistakes, a decision needed to be made quickly. This decision however would not be easy with so many factors and stakeholders to consider.

Discussion Questions

The manager's predicament, in this case, is very common in the field of business management, and one where a decision is rarely made without serious consideration and analysis. Some questions to consider before making this ethical decision include:

1. Jack was an openly loyal employee and took pride in himself and his work; does the company have any ethical obligation to reciprocate this loyalty?

2. If the manager decided to continue coaching Jack, is this just prolonging the inevitable? Would this have been acceptable? Why?
3. If the branch manager decided to coach Jack into a different role or industry, is would this be considered doing their employer a disservice by investing time and resources into growing an employee for a possible competitor? Is this acceptable? Why?
4. Do Jack's sales numbers, which allow the branch to meet its financial goals, supersede the negative impact that his mistakes are having on customers and his peers?
5. Would it be unethical for the manager to consider Jack's customer and community responsibilities in making an employee termination decision?
6. By keeping Jack employed as the assistant manager, could this have caused irreparable damage to the morale of the team based on Jack's lack of leadership and proper execution? Is it ethical or moral to put the needs of this one employee above the needs of the rest?
7. What was the best course of action for the manager in this case: termination, additional coaching in hopes of improvement, or directing Jack into a new position elsewhere? Why?

Teaching Notes

This narrative is best presented by focusing on creating a sense of empathy for the protagonist (Jack). This can be done by accentuating Jack's qualities as both an employee and a person. After explaining Jack's situation, it is best to present each question to the class one-by-one. The class should have no more than 5 minutes to discuss and deliberate their stance per question. Once the class voices their opinion, the instructor should interject the ideas of past researchers & philosophers focusing on concepts of utilitarianism, altruism, deontology, corporate social responsibility, and human resource development. Ask the first six questions, using the prescribed format. When the seventh question is asked, a conversation should begin, but not fully answered by the end of class. Answering this question involves serious ethical reasoning and is best answered through an independent essay and subsequent student presentation. As with most ethical situations, the answers to these questions have no fundamental right or wrong answer, however, there are ethical principles and/or philosophical perspectives that can help to identify the appropriate responses. Previous understanding of both classical and contemporary normative ethics is required to better rationalize the answers to these individual issues.

1. *Jack was an openly loyal employee and took pride in himself and his work; does the company have any ethical obligation to reciprocate this loyalty?*
   Relationship with people in the corporate context is what many consider company loyalty, this concept however is complicated to understand. Past philosophers have argued that reciprocated loyalty from a frim to an employee treats the company as a moral instrument, which is incorrect as the entity is not a sentient being (Cruella, Martin, & Solomon, 2014). There should be some degree of loyalty by both managers and employees that must be weighed out, however, corporate loyalty is not consistent amongst all institutions or employees. As argued by Randels (2001), "corporate loyalty should be less than some loyalties, but perhaps more than others. This balancing must be worked out in concrete cases, however, and can only be suggested in the abstract" (Randels as cited by Cuilla, Martin, &

Solomon, 2014, p. 438.). Furthermore, others argue that since money is the binding agent between employee and employer in commercial ventures, there is no loyalty, nor should any be expected (Duska as cited by Cuilla, Martin, & Solomon, 2014). If loyalty is not existent in an employee-employer relationship, then the company has no obligation to Jack or his financial well-being.

2. *If the manager decided to continue coaching Jack, was this just prolonging the inevitable? Would this have been acceptable? Why?*
There are ethical viewpoints on this subject that create an appropriate lens to analyze this question: altruism (care through servant leadership) and utilitarianism. Through an altruistic perspective, the manager must serve his/her employee out of a sense of "stewardship and obligation, promoting the growth of followers and the interests of the larger community" (Johnson, 2015, p. 240). Through an altruistic lens, it would have been unethical to stop coaching/serving him until he reaches his personal goals as an emphasis on the individual demonstrates care. Utilitarianism however looks at this subject somewhat differently. To benefit the interest of the community (work department in this case), while diminishing the cause of their pain, it would be proper and comfortable to remove the cause of their discomfort (Bentham as cited by Timmons, 1999). Jack is the primary cause of discomfort in this situation. By keeping Jack employed, he is causing pain and disruption to his team members, thus reducing potential success and creating frustration.

3. *If the manager decided to coach Jack into a different role or industry, is this doing their employer a disservice by investing time and resources into growing an employee for a possible competitor? Is this acceptable? Why?*
Though some could argue that true leaders should perpetually continue investing time, effort, and training into their employees for the good of the order, this question is best answered by using an economic perspective. In a free enterprise system, the social responsibility that the business has is to increase profits to its shareholders (Friedman, 1970), not to engage in costly training programs/efforts that result in growing an employee for a firm's competitors. By continually investing company time and resources into an underqualified employee, the manager in this narrative would be doing the company and its shareholders a gross injustice.

4. *Do Jack's sales numbers, which allow the branch to meet its financial goals, supersede the negative impact that his mistakes are having on customers and his peers?*
This exercise has demonstrated the difficulty of making a business decision without considering the impact that the directive will have on the individual employee and the office as a whole. As presented by Friedman (1970), "the manager is an agent of the individuals who own the corporation or establish the eleemosynary institution, and his primary responsibility is to him (Friedman as cited by Cuilla, Martin, & Solomon, 2015, p. 250). From this perspective, it would seem that the only choice is to do what is best for the owners of the company and continue Jack's employment as his sales numbers justify his worth. By not taking into consideration other performance factors, however, this choice embraces moral myopia by prioritizing profit over other negative attributes of continued employment.

5. *Is it unethical for the manager to consider Jack's customer and community responsibilities in making an employee termination decision?*

No, it is not unethical to consider these factors, as a manager must view his/her employee not as a means, but primarily as an end. Deontological ethicists will argue that it is the ethical duty and obligation of a leader to respect people by doing what is universally right regardless of personal self-interest. As argued by O'Neill (1986), we must act in a way that allows others to seek happiness (O'Neill as cited by Timmons, 1999). It would demonstrate a lack of ethical posture if the manager failed to respect Jack as an individual, and a manager should attempt to understand the impact on Jack's familial happiness that any employment decision may have. A cut-throat capitalistic position would argue that considering these factors is outside the scope of Friedman's (1970) Shareholder Theory, and the manager's only objective is profit for the benefit of shareholder wealth maximization. Using Freeman's (1984) Stakeholder Theory as the basis of this decision would argue that it is right to consider the impact to all stakeholders including customers, the community, and Jack's family before making this decision.

6. *By keeping Jack employed as the assistant manager, could this have caused irreparable damage to the morale of the team based on Jack's lack of leadership and proper execution? Is it ethical or moral to put the needs of this one employee above the needs of the?*
   Utilitarianism would insist that Jack's employment be ceased immediately and his presence be removed for the ultimate benefit of the team. This decision however rests in the ethical competency of the manager his/herself as it varies by situation. According to Groom (2007), when a team feels like their expectations are not being met, there is a downward spiral in trust that can only be corrected when trust is reestablished (Groom as cited by Cuilla, Martin, & Solomon, 2014). Trust in this case could potentially be changed in this case of termination, or if Jack quickly changed his work habits by embracing and performing to the new managerial vision.

7. *What is the best course of action for the manager in this case: termination, additional coaching in hopes of improvement, or directing Jack into a new position elsewhere? Why?*
   This can only be decided through practical and seasoned ethical competency that includes:

- Identifying ethical problems and the issues that come from them
- Rationalizing the principles involved in both the problem and subsequent issues
- Arriving at decisions that are most beneficial to the public or in this case the team
- Advance the team in a way that creates a supportive culture supportive of ethical actions and activities (Cooper & Menzel, 2013).

This case allows for the practice of ethical competency, and providing students to opportunity to identify and solve ethical issues they may encounter in their lives. The impact of each decision we make must be analyzed through a moral lens as people will often "preserve their view of themselves as moral agents while inflicting harm on others" (Bandura, 1999). Managers have been forced to make these tough decisions since the orchestration of managerial hierarchies. A situation where a good person is in the wrong position causes the decision to terminate this employee quite difficult. This is why ethical considerations and the frameworks of past researchers/philosophers provide a helpful understanding on find the right course of action.

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