**Case Study: Reexamining a Proposal**

After working 10 years as the only minority manager in a large printing company, David Jones decided hewanted to set out on his own. Because of his experience and prior connections, David was confident he couldsurvive in the printing business, but he wondered whether he should buy an existing business or start a new one.

As part of his planning, David contacted a professional employer organization (PEO), which had a sterlingreputation, to obtain an estimate for human resource services for a startup company. The estimate was to includecosts for payroll, benefits, worker’s compensation, and other traditional human resource services. Because Davidhad not yet started his business, the PEO generated a generic quote applicable to a small company in the printingindustry. In addition, because the PEO had nothing tangible to quote, it gave David a quote for human resourceservices that was unusually high.

In the meantime, David found an existing small company that he liked, and he bought it. Then he contacted thePEO to sign a contract for human resource services at the previously quoted price. David was ready to takeownership and begin his new venture. He signed the original contract as presented.

After David signed the contract, the PEO reviewed the earlier proposal in light of the actual figures of thecompany he had purchased. This review raised many concerns for management. Although the goals of the PEOwere to provide high-quality service, be competitive in the marketplace, and make a reasonable profit, the quoteit had provided David appeared to be much too high. It was not comparable in any way with the other servicecontracts the PEO had with other companies of similar size and function.

During the review, it became apparent that several concerns had to be addressed. First, the original estimate madethe PEO appear as if it was gouging the client. Although the client had signed the original contract, was it fair tocharge such a high price for the proposed services? Would charging such high fees mean that the PEO would losethis client or similar clients in the future? Another concern was related to the PEO’s support of minoritybusinesses. For years, the PEO had prided itself on having strong values about affirmative action and fairness inthe workplace, but this contract appeared to actually hurt and to be somewhat unfair to a minority client. Finally,the PEO was concerned with the implications of the contract for the salesperson who drew up the proposal forDavid. Changing the estimated costs in the proposal would have a significant impact on the salesperson’scommission, which would negatively affect the morale of others in the PEO’s sales area.

After a reexamination of the original proposal, a new contract was drawn up for David’s company with lowerestimated costs. Though lower than the original proposal, the new contract remained much higher than theaverage contract in the printing industry. David willingly signed the new contract.

**Questions**

1. What role should ethics play in the writing of a proposal such as this? Did the PEO do the ethical thingfor David? How much money should the PEO have tried to make? What would you have done if youwere part of management at the PEO?
2. From a deontological (duty) perspective and a teleological (consequences) perspective, how would youdescribe the ethics of the PEO?
3. Based on what the PEO did for David, how would you evaluate the PEO on the ethical principles ofrespect, service, justice, honesty, and community?
4. How would you assess the ethics of the PEO if you were David? If you were among the PEOmanagement? If you were the salesperson? If you were a member of the printing community?