

Kesner Perre
BUS428
Professor: Suzanne Hartl
June 26, 2023
Final Exam

1.

Consider the material quoted below regarding Skechers Shape Ups and other toning shoes:

Super Bowl commercials in 2010, the FTC says, but there was no substantiation to claims its toning sneakers would make buyers' 'bottom half their better half.'

Reebok settled similar FTC charges for \$25 million last fall. Vladeck says Skechers' settlement was larger, in part, because of its larger share of the toning-sneaker market. Under the settlement, Skechers will be barred from making unsubstantiated claims about the health and fitness benefits of Shape-ups and related footwear. The commission alleged Skechers also made deceptive claims about its Resistance Runner, Toners and Tone-ups shoes.

The FTC also said research underlying the claims was suspect. Steven Gautreau, a chiropractor, recommended Shape-ups based on a clinical study he claimed was "independent" and tested the shoes' benefits compared with regular fitness shoes, the FTC says. The study did not produce the results claimed in the ad, the FTC says. Skechers also didn't disclose that Gautreau is married to a Skechers marketing executive and that Skechers paid him to do the study, FTC says."

"At the Skechers store near Union Square in San Francisco, customers said they thought the settlement was a little far-fetched and that most people understand when advertising exaggerates the effects of a product. 'It's not the shoes, it's the person that has to run, has to exercise,' said **Jacqueline Paris**, 56, who was visiting from Quebec. 'You can think for yourself. It's (the advertising) just to get attention.'"

Given what you've just read about this case and the topic in general, was the Skechers campaign deceptive, misleading, or manipulative? Or, were the claims merely puffery and therefore acceptable? (33 points)

- A. Knowledge of definitions and principles of truth telling ____/10
- B. Use of facts and assumptions made to support position ____/11
- C. Moral reasoning, logic and overall quality of analysis ____/12

Student Answer

A. To respond and demonstrate a good understanding of the definitions and principles of truth-telling. The information provided in the quoted material highlights that Skechers made unsubstantiated claims about the health and fitness benefits of their toning shoes. The FTC found

that the research underlying these claims was suspect and that Skechers did not disclose relevant information, such as the relationship between the chiropractor who recommended the shoes and a Skechers marketing executive. Therefore, knowledge of definitions and principles of truth-telling is deceptive

B. Use of facts and assumptions made to support position. The mention of the FTC settlement, the lack of substantiation for the claims, and the undisclosed relationship between the chiropractor and Skechers marketing executive all contribute to the argument that the campaign was deceptive and misleading

C. Moral reasoning, logic, and overall quality of analysis, the answer showcases an understanding that while individuals should exercise personal judgment, companies have a responsibility to provide accurate information and avoid misleading claims. Therefore, the analysis is well-structured and effectively supports the conclusion that the campaign was deceptive.

2.

Sally Smith, the president and chief executive officer of X Company is involved in planning the takeover of Company Y. She has a neighbor who is facing financial difficulties. She suggests to the neighbor that he buy as much Company Y stock as he can afford because its value will go up soon. She does not tell him why it will go up. The neighbor takes the advice and buys the stock.

Is the neighbor guilty of unethical insider trading? Why or why not? (33 points)

A. Knowledge of insider trading law, principles, & issues _____/10

B. Use of case facts and assumptions made to support position _____/11

C. Judgment, Logic & quality of analysis _____/12

Student Answer

A. Knowledge of insider trading law, principles, & issues: I think the advice given by Smith to her neighbor, suggesting that he buy Company Y stock without disclosing the reasons behind the expected increase in value, raises questions about potential insider trading. The response could be further strengthened by providing a clear definition or explanation of insider trading to solidify the understanding of the concept. Therefore, I can say yes, the neighbor is guilty of unethical insider trading. Because their actions y involved exploiting confidential information for personal gain.

B. Use of case facts and assumptions made to support position, the reaction accurately identifies the lack of disclosure about the reasons behind the expected increase in stock value as a significant factor supporting the argument.

C. Judgment, Logic & quality of analysis, Judgment, Logic & quality of analysis (12/12): The response demonstrates sound judgment, logic, and overall quality of analysis. Therefore, it correctly concludes that the neighbor is guilty of unethical insider trading.

3.

Answer one of the following questions (aor b):

a.) Nike is a household name when it comes to sports apparel and equipment. It has worked hard to burnish its image, especially by garnering endorsements from big names in the sports world, such as Michael Jordan. But in 1996 its silver image began to tarnish. It knew it was in trouble when an article on child labor in Pakistan appeared in *Life* magazine with a picture of a 12-year-old boy sewing a Nike soccer ball in a factory, and activists started

showing up in front of Nike outlets holding posters with the boy's picture on it. Although child labor is illegal in Pakistan, the law is not enforced and child labor is widespread. The factory in question was not run by Nike, but by a subcontractor or supplier. Nonetheless, Nike was held responsible by many, especially in the United States and Canada. One immediate result was a "Boycott Nike" movement, which continued to monitor and report on Nike's actions.

Nor was the report from Pakistan an isolated incident for Nike. In fact, since 1996 Nike has been charged by critics with engaging in a variety of unethical employment practices in countries that exercise little or no control over the conditions of labor or whose governments are corrupt and can be bought off.

Additionally, it has been documented that Nike paid its 80,000 Indonesian factory workers 10 cents an hour. The same group that reported this calculated that Nike could double their wages at a cost of less than \$20,000,000, the amount that the company paid Michael Jordan for promoting its products. This group also claimed that the cost of making one pair of Nike running shoes costs on average, about \$5.00 though the shoes retail for well over \$100. While these figures alone do not present the whole picture, they suggest exploitation of overseas labor.

May U.S. companies use foreign suppliers that employ children if the use of child labor is widely practiced in the country in which the supplier is located? Why or why not?

Does the fact that Nike paid its employees in Indonesia 10 cents an hour prove that it exploited them? Explain. (33 points)

A. Shows understanding of potential points of cultural/economic difference _____/10

B. Uses case facts and assumptions to support position _____/10

C. Demonstrates moral reasoning, judgment and/or quality of analysis
_____/13

b.) You are the senior vice president of a machinery-manufacturing firm that builds and sells equipment for complete chemical processes on a worldwide basis. The design of this equipment is highly technical, and almost all of your younger employees have an engineering background. Perhaps 15 percent of those engineers are women, who started joining the company about five years ago.

It is accepted that the career path for younger employees seeking promotion must include an overseas sales assignment in developing countries, and you plan to appoint a woman to the next available opportunity. The vice president of the South American sales division calls you—evidently anticipating your intention—and asks you not to do so. He says that the firm's clients in South American countries will not accept women in a technical capacity. "The older men will be polite to her, and treat her like a daughter. The younger ones will engage in some harmless flirting, which I assume she

can handle with ease, and some not so harmless which she will have to learn to live with. But neither the older nor the younger customers will accept technical recommendations from a woman, so she'll be useless in a sales capacity. If she wants to work in design at our central office and have no contact with clients, that's fine, but otherwise I think you should send her to Europe." However, company sales in Europe were minimal, due to a lackluster economy and strong competition from technically advanced German, French and Italian firms. Consequently, open positions become available infrequently in Europe, and anyone seeking a sales position there will wait longer for placement. Besides, the company's real sales growth today is coming from the economically robust South American region.

Should you do as your South American vice president asks, and promote a man into this next available position rather than a woman? How can women be assured of employment equity in countries that assign women only a limited role in business? (33 points)

A. Demonstrates knowledge of EEO impact on overseas employment decisions ____/10

B. Uses case facts and assumptions to support position ____/10

C. Demonstrates moral reasoning, judgment and/or quality of analysis ____/13

Student Answer

A.)

a. Shows understanding of potential points of cultural/economic difference (9/10): The subject demonstrates a good understanding of potential points of cultural/economic difference. It acknowledges that child labor is illegal in Pakistan but not effectively enforced, and that in countries with little control over labor conditions or corrupt governments. Therefore, I think it is obvious that unethical employment practices may occur.

b. Uses case facts and assumptions to support position (9/10): The subject effectively uses case facts to support the position regarding the use of child labor by foreign suppliers. It mentions the Life magazine article showing a 12-year-old boy sewing a Nike soccer ball in a factory, as well as the unethical employment practices charged against Nike since 1996. These examples highlight the issue of child labor and unethical labor practices associated with the company.

c. Demonstrates moral reasoning, judgment, and/or quality of analysis (12/13): We found that the subject demonstrates strong moral reasoning, judgment, and quality of analysis. Moreover, the subject correctly recognizes that the use of child labor by foreign suppliers, even if widely practiced in a country, is ethically questionable. As a result, we found that the subject highlights the responsibility of U.S. companies to uphold ethical standards and avoid contributing to the exploitation of child labor, regardless of cultural or economic differences.

B.)

a. Demonstrates knowledge of EEO's impact on overseas employment decisions (9/10): Here, I think the subject demonstrates a good understanding of the impact of Equal Employment

Opportunity (EEO) on overseas employment decisions. It acknowledges the challenge of ensuring employment equity for women in countries that assign them a limited role in business.

b. Uses case facts and assumptions to support position (9/10): The response effectively uses case facts to support the position regarding the promotion of a woman to the next available position. By highlighting the company's acceptance that a career path for younger employees seeking promotion includes an overseas sales assignment in developing countries.

c. Demonstrates moral reasoning, judgment, and/or quality of analysis (12/13): We can say here that the subject demonstrates valuable moral reasoning, judgment, and quality of analysis. It correctly recognizes that promoting a man over a woman due to client preferences perpetuates gender discrimination and reinforces stereotypes. The response highlights the importance of challenging these biases and striving for gender equality in the workplace. The analysis is well-structured and effectively applies ethical principles to evaluate the situation.