



## Business Ethics

### Case Study Sample 201.01

#### *The Case of Generous Compensation*

William Glenn is the payroll and benefits director for the FOUNDATION SAVINGS BANK, a small, closely held bank with five branches located in a mostly rural area in the upper Midwest. Jonathan Walter, the long-time bank president, has begun to consider retiring in three to four years and has discussed this issue privately with the board of directors. The board is composed of four business and civic leaders in the community who are good friends of Mr. Walter and whose average length of stay on the board is more than 16 years. Mr. Glenn is only aware of this discussion because the board's treasurer has asked Mr. Glenn to investigate some changes in Mr. Walter's compensation package relating to retirement benefits. At the same time, the bank's attorney, with whom Mr. Glenn will need to consult, has asked to research the legality of these compensation changes. Both Mr. Glenn and the attorney have been instructed that they cannot discuss this situation with anyone else.

Mr. Glenn finds that the changes being considered will have a dramatic effect on Mr. Walter's retirement package. If these changes are in effect for three years before his retirement, Mr. Walter will receive \$13,000 in additional benefits each year when he retires. The proposal also affects the way the directors are compensated and will, for the first time, provide them with retirement benefits after only 10 years of part-time service on the board.

Mr. Glenn is troubled by these findings, especially because the minutes of this executive session of the board imply that the board intends to keep these changes private and not publicize them. Mr. Glenn has been proud of working for FOUNDATION SAVINGS BANK because it has always marketed itself as everyone's "honest hometown family bank," existing to benefit the local community. Mr. Glenn discusses the situation with the attorney, who shares his concern for the potential impropriety of the president and the board simultaneously recommending improved benefits for each other. But the attorney states that since these changes mean a shift in the categories of their compensation in this fiscal year, and not an increase of more than 6% in anyone's total current compensation, neither the bank's bylaws nor state law requires public disclosure of these changes.

Mr. Glenn does not know what to do. He has been proud to work for FOUNDATION SAVINGS BANK for the last 13 years because in the past the bank has always acted to benefit all employees. He'd like to discuss his dilemma with other managers, but the board's treasurer has told him to keep this confidential. Also, he is unsure about how the treasurer might react to any probing questions from him about this situation.

## **YOUR CHALLENGE**

Your presentation to the judge(s) should address, at a minimum, the following:

1. What are the ethical dilemmas presented by this situation?
2. What options are available to Mr. Glenn? To Mr. Glenn and the attorney together? What are the potential outcomes for each option to Mr. Glenn? To the bank?
3. What action do you think Mr. Glenn should take? What do you expect will result from this recommended action?