Memorandum

To: [Recipient Name]

From: [Section Number, Group Number, Group Member Names]

Date: September 23, 2016

Re: Proposed Payroll Changes for FY 2017

The executives of Novel Idea must follow several general principles of ethics when deciding whether to terminate a full-time employee and replace him with part-time workers who do not qualify for an employer-sponsored benefits package. The Josephson Institute has identified six pillars of character and 12 ethical principles for business executives, all of which apply to the decision-making process (South University, 2011). It is particularly important that the executives of Novel Idea make this decision with citizenship and fairness in mind. Terminating a full-time employee and replacing him with several part-time employees is not an example of good citizenship. It is also unfair to the community to lay off a full-time employee during a time of economic uncertainty. Although all of the ethical principles for business executives apply in this situation, we must be especially concerned with the reputation of Novel Idea and the morale of our employees. Laying off a full-time employee is likely to hurt morale among the remaining employees and make some employees question the viability of the business. Terminating a full-time employee to reduce our monthly expenses is also likely to hurt Novel Idea's standing in the community. When applying the ethical principles of respect, morale, and fairness, the best course of action is to retain both full-time employees and find other ways to cut costs.

However, there is an ethical principle that dictates a different course of action. According to Milton Friedman, the social responsibility of a business is to "use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game" (Friedman, 1970). If we apply Friedman's principle, then the only correct course of action is to terminate a full-time employee and replace him with part-time employees. As executives, we have a responsibility to earn as much profit as possible for the owners of Novel Idea. Terminating a full-time employee is expected to reduce payroll expenses and limit the amount of money the company spends on benefit premiums each month, increasing profits as long as gross revenue increases or stays the same. Novel Idea also has a responsibility to increase profits for the good of the entire community. Without Novel Idea, there would be fewer jobs available for community members, and the county tax agency would not collect as much revenue for local improvement projects. According to the principles of Utilitarianism, the best course of action is the one that results in the greatest good for the greatest number of people (Kay, 1997).

Based on the information gathered while preparing this report, we reject the plan from our silent partners and propose an alternative strategy for Novel Idea. Instead of terminating a full-time employee and replacing him with part-time workers, we plan to retain the full-time employee and find other ways to increase profits. Because Novel Idea does not have more than 50 full-time employees, the company is not required to provide health insurance to staff members (Klein, 2013). One way to reduce expenses and increase the company's profit margin is to stop providing employer-sponsored health insurance to full-time employees. Although employees pay one-half of their monthly insurance premiums, it still costs thousands of dollars per month to provide coverage to employees who work full-time. Eliminating this expense would increase Novel Idea's profit margin even if sales remain relatively flat. Our strategy also aims to get employees involved in finding ways to reduce expenses and make the company more profitable. For the past two years, managers have been forthcoming with employees about Novel Idea's financial problems. Employees do not need to know everything about the financial side of the business, but withholding information from them hurts morale. Staff members are the ones who work directly with customers, so they are likely to have ideas for how to improve sales and increase customer satisfaction (Richmond, 2009). We propose the creation of a monthly forum to open the lines of communication between staff members and managers. During these meetings, managers must listen carefully to employee feedback and be open to implementing suggestions from staff members. We also propose the implementation of a bonus program for employees who make suggestions that eventually result in increased profits. Even if the bonus is only 5% of the amount saved or profit generated, it should be enough to motivate employees to offer suggestions that improve operations. Finally, we propose adjusting Novel Idea's compensation structure to reduce the amount of money paid out each year in the form of pay increases. It is important to reward employees for their loyalty, but offering 3% raises every year makes the company less profitable. Offering 2% increases benefits everyone: employees still receive a raise in recognition of their efforts, and Novel Idea is able to reduce overhead without hurting morale.

References


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