

The Panalba Role Playing Case
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Instructor's Notes for Role Playing

(Note: This role-playing case leads to much emotion.

A softer version can be provided by using the "Panalba Prediction Case" – the overheads can be adapted for the Prediction Case.)

1. The Panalba Role Playing Case

2. Instructions for Role Players

Act as **YOU** would act if you were in the role described!!

Improvise as necessary but **DO NOT STEP OUT** of your role!!

[Hand out the role-playing materials after these instructions]

3. Discussion Plan

(For details see "The Panalba Role Playing Case" paper in full-text at jscottarmstrong.com on Educational Materials/Product Policy.)

- a. Decision by each group
 - b. This was a real case. What do you think happened?
 - c. What actually happened?
 - d. What is the case all about?
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4. What's the Case About?

- An extreme case of *social irresponsibility*
 - \$1,000,000 for each consumer that you kill
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5. Panalba: Control Condition

Social Irresponsibility	% Groups (g=57)
High	80
Moderate	20
Low	0

6. Social Irresponsibility: Two Definitions

To knowingly make a decision that harms the system as a whole

or

To make a decision that you, yourself, feel is irresponsible

7. Basic Conclusion

People will harm others if asked by a legitimate authority.

“Roles” dominate behavior.

8. Expected Behavior of Managers

(Details in Armstrong, “Social Irresponsibility in Management,” 1977)

- Experimental Evidence
 - Milgram-type obedience to authority studies
- Attitude Surveys
 - People will do what the boss says (Baumhart)
- Field Experiment
 - Nurses gave “unacceptable” medication when told to do so (Hotling)
- Documented Case Histories
 - Ludlow Massacre (Shultz & Coleman)
 - Corvair (Nader)
 - Thalidomide (Sjostrom & Nilsson)

9. The Stockholder Version

Role Instructions

“It is important to note that the members of the Upjohn Board had a number of discussions in the past as to the proper role that a board member should take. A resolution had been passed in 1950 which stated that the Board’s duty was to represent the stockholders. It was felt that society’s needs would be served best if the board acted in such a way as to maximize the return to the stockholder – i.e., to maximize profits. (All of the current board members are well aware of this policy statement.)”

10. The Stockholder Version (cont.)

Accounting

Possible Actions with Respect to Panalba	Stockholder Losses in Millions of Dollars
A. “Recall Immediately”	20.0
B. “Stop Production”	13.0
C. “Stop Promotion”	12.0
D. “Continue Until Banned”	11.0
E. “Take Actions to Prevent Ban”	4.0

11. The Stakeholder Version

Role Instructions

“Finally, It is important to note that the members of the Upjohn Board had a number of discussions in the past as to the proper role that a board member should take. A resolution had been passed in 1950, which stated that the Board’s duty was to recognize the interests of each and every one of its “interest groups” or “stakeholders.” Stakeholders are groups which make specific contributions to the firm. Thus, the board is to consider the effects of decisions upon employees, creditors, stockholders, customers, suppliers, distributors, and the local community. Furthermore, the Board should consider only its own stakeholders in making decisions. It shall not attempt to serve the common good or society in general. (All of the current Board members are well aware of this policy statement.)”

12. The Stakeholder Version (cont.)

This role provides “social accounting” with the following estimates:

Alternatives	Estimated Losses (in Millions of Dollars)			
	(1) Stockholders	(2) Customers	(3) Employees	(1)+(2)+(3) Total Losses
A. “Recall immediately”	20.0	0.0	2.0	22.0
B. “Stop production”	13.0	13.6	1.8	28.4
C. “Stop promotion”	12.0	16.8	1.2	30.0
D. “Continue until banned”	11.0	19.6	1.0	31.6
E. “Take actions to prevent ban”	4.0	33.8	0.2	38.0

13. Stockholder vs. Stakeholder Decisions

		Percentage of Decision by Role		
		Stockholder: Board agrees	Stakeholder: Board agrees	Stockholder: Democratic
Level of Social Irresponsibility	High (A)	76	23	22
	Moderate (B, C, or D)	24	65	49
	Low (E)	0	12	20
		(g=41)	(g=57)	(g=59)

14. Possible Solutions

- Corporate Governance (attempts to change the roles)
 - Stakeholder representatives
 - Social accounting
- Code of Ethics
 - Published and advertised
 - Training
- Ombudsman

