

Pump It Up Teaching Notes

What Are the Relevant Facts?

1. The initial public offering (IPO) is scheduled to take place in less than 24 hours. It seems impossible for Pump It Up to determine the cause of the deaths in that period of time.
2. Vision Pump will replace Pump It Up's current line of infusion pumps. In addition, the new line should increase the company's market share.
3. The FDA approved Vision Pump's clinical trials.
4. Pump It Up did not mention to anyone outside the company that Vision Pump may have caused two deaths.

What Are the Ethical Issues?

1. Do potential shareholders have the right to know that Vision Pump may have caused two deaths?
2. Has the management of Pump It Up management acted irresponsibly by not divulging a potential problem to the members of the underwriting group?
3. To what extent is Henrietta responsible for taking action or informing others of the situation?

Who Are the Primary Stakeholders?

- Henrietta Bluefish
- John Peoples
- Employees of Pump It Up
- Shareholders of Pump It Up
- Investment banking firms
- Patients, hospitals and outpatient clinics
- The FDA

What Are the Possible Alternatives?

1. Go ahead with the IPO on June 13--"do nothing" option.
2. Postpone the IPO until the cause of the deaths has been determined--some time after June 13.

3. Don't do business with Pump It Up under any circumstances.

What Are the Ethics of the Alternatives?

- Evaluate each alternative based on a "utilitarian" perspective. For example:
 1. Which alternative would provide the greatest benefit to the greatest number?
 2. How would costs be measured? How do you determine the value of the life of a patient who might die? How do you measure (for potential investors) the costs of secrecy or the benefits of disclosure concerning the investigation of the two patient deaths?
- Ask questions based on a "rights" perspective.
 1. What rights does each stakeholder have in this situation?
 2. Which alternative would respect your rights if you were Henrietta, John Peoples, a future patient, or a future investor?
- Approach the dilemma from a "justice" perspective.
 1. Which alternative distributes the benefits and burdens with the greatest fairness to the stakeholders?

What Are the Practical Constraints?

1. If this underwriting goes awry, Tremper's reputation could be ruined. In addition, it might be sued by irate shareholders.

What Actions Should Be Taken?

1. What actions should Henrietta take? Why?
2. Which of the ethical theories contributes most to your decision?