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ZERO TOLERANCE OR ZERO RATIONALITY

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CASE DESCRIPTION

The primary subject matter of this case concerns organizational culture and conflict management. Secondary issues examined include ethics, human resource management, organizational theory and strategy. The case has a difficulty level appropriate for upper division and graduate business students. The case is designed to be taught in one to two class hours and is expected to require two to four hours of outside preparation by students. Zero tolerance policies, while still on the rise in many institutions in this country (most prominently in U.S. school systems), are increasingly being challenged in courts at various levels. Two of the most common reasons for court cases in this area are inflexibility in relatively minor violations and egregious penalties that far exceed the particular situation. Both of these reasons for litigation are evidenced in the case presented here.

CASE SYNOPSIS

A large international distribution company has a personnel problem in their Orlando, Florida division. An internal audit has discovered that two long-time employees have violated a zero tolerance policy concerning the private use of a company vehicle. This division falls under the supervision of Linda Douglas, southeastern U.S. regional vice president for the company. Linda, while vacationing in Miami Beach, has been instructed by the international vice president for human resource management at the company headquarters in London, Victoria Vasilius, to terminate both the delivery driver for personal use of a company delivery van and his supervisor that knew of the violation and did nothing about it.

Linda investigates the allegations and learns from the supervisor that the driver had an emergency involving his elderly mother, and felt he had no choice but using the company van. The supervisor explained that he could not justify firing the driver for a number of reasons, including his loyalty to the company and the negative impact on the morale of the other drivers in the unit. The supervisor is not concerned about retaining his job because he could easily get a job immediately with one of their competitors and take a lot of business with him.

Linda offers to write a detailed explanation of how the employees' dismissal would be harmful to the company and suggest an alternative punishment if Victoria would present the explanation to senior management in London. Victoria was not supportive, but agreed to read the explanation when she received it. She also told Linda that she might be jeopardizing her (Linda's) career with the company if she submits the explanation rather than terminating both employees immediately. Linda must now choose which course of action to pursue.

Linda Douglas had just finished brunch at an outdoor table on Ocean Drive and settled into her beach chair on beautiful South Beach in Miami Beach, Florida. It was her first full day of vacation and she was looking forward to a relaxing week of rest and relaxation in South Florida. Linda is the southeast U. S. regional vice president for a large international distribution company headquartered in London. The company's southeast regional headquarters is located in Atlanta. She regularly checks in with her office when on vacation and decided to call in before going for a quick swim and starting the paperback novel that she purchased at the airport.

She could tell by the tone of Helen Lane, her executive assistant, that something was very wrong. Helen informed Linda that the company's international vice president for human resource management, Victoria Vasilius, had called from London trying to reach her regarding a serious matter that she would only discuss with Linda. Linda had met Victoria on a few occasions both in London and Atlanta, but had not worked with her to any great extent. Helen had committed Linda to receiving her call at her hotel room the next day at 8 am Miami time.

Linda tried to put the matter out of her thoughts as she enjoyed the rest of the day on the beach, informally toured Miami Beach in her convertible and ended the day with an enjoyable dinner with Rachel Douglas, her cousin and a Miami native, at an outdoor waterfront restaurant in North Bay Village. As she expected, Victoria called the next morning exactly at 8 am. After the customary pleasantries, Victoria got to the point:

Victoria: I have some rather unpleasant news to share with you. Our internal audit division has found that two of your employees have violated two of the company's no tolerance policies and will have to be terminated.

Linda: What happened?

Victoria: The audit report found that Jim Evans, a driver in the Orlando division, used a company delivery van for personal travel and that the manager for the division and Jim's boss, Dan Dole, was aware of the violation and did nothing about it. Misuse of a company vehicle violates a company zero tolerance policy. Failure to enforce the zero tolerance policy is also considered a violation of the policy.

Linda: Both of them are long term employees of the company. Let me check into this a bit more before we discuss it further. Can I call you tomorrow?

Victoria: This is a pretty straight forward matter. They have both violated no tolerance policies and will have to be terminated. However, I will allow you time to verify that the internal audit results are correct. Perform your own investigation and call me back tomorrow at 3 pm London time.

Linda: Thanks Victoria. I will do that.

Linda immediately placed a call to Dan Dole.

Linda: I just got off the phone with Victoria Vasilius in London. She wants me to fire both you and Jim Evans based upon internal audit report results. What happened?

Dan: I guess no good deed goes unpunished. Jim and I have each been loyal and valuable employees of the company for years.

Linda: Just tell me exactly what happened.

Dan: Jim and his wife live in an area of Orlando near Lake Nona, just east of the airport. He, like all delivery drivers at our location, takes his van home at night. Other than commuting,

they are only to be used for deliveries and other company business. This arrangement saves the drivers commuting expense and is considered by them to be an important fringe benefit. It also benefits the company because they are occasionally called out after hours to make an unscheduled delivery to customers.

Linda: One of our zero tolerance policies is that there is no personal use of company vehicles.

Dan: All of our drivers are very careful about observing that policy.

Linda: Then why did Jim violate it?

Dan: Jim and his wife Betty only have one car. One Saturday Betty was shopping when Jim received a call from his elderly mother who lives alone in a large retirement community near Leesburg. She had fallen and couldn't get up. Jim found out later that she had fractured her hip. After hanging up, Jim got in the van and drove as fast as he could to her house. All the vans are equipped with SunPass. With SunPass, a decal device is attached to the windshield, which allows toll road fees to be billed automatically to an individual or a company. Jim went through numerous turnpike toll booths on the way. The auditors picked it up on the monthly SunPass statement because it was on a Saturday, not a regular work day. That is one of the things they regularly check.

Linda: That explains Jim's problem. What about you?

Dan: When I got the auditor's report, I called Jim in and asked him about it. He told me the story and I confirmed it by contacting the hospital that treated his mother. I told him that it was a serious violation and not to let it happen again. He told me that he and Betty were very sorry and they had already purchased a second car so that if a similar situation happened again they would be able to respond quickly without using the van. I have known Jim for 20 years. He has been a terrific employee and I believed his promise that this would never happen again. Betty is a cancer survivor and Jim had previously experienced some heart problems. If he loses his job, he will have a very hard time getting an individual health insurance policy. At his age, I also know that he will have a hard time getting another delivery job if he loses this one. Jim is our most senior delivery person and has trained virtually the whole delivery staff. The delivery staff looks up to Jim and the loss of his leadership would certainly adversely affect our operations. In addition I feel that, had I received a similar call, I would have done exactly the same thing. I felt that giving him a second chance was the right thing to do. Internal audit followed up on the matter and when I told them that I was not going to fire Jim they reported me to headquarters.

Linda: Aren't you worried about your future with the company?

Dan: Not really. Our main competitor in my territory has been trying to hire me for years. At the risk of sounding boastful, nobody in this territory has the customer relations that I have developed over the last 20 years. I have won the top sales award for the region for the last three years, in addition to being the division manager and handling all the administrative tasks. I can't believe the company would turn their best salesman into their biggest competitor over something like this.

Linda: I certainly hope we can work this out. Let me get back to you.

Linda was very concerned that either enforcing or not enforcing the no tolerance policy violations could cause problems. Enforcing the policy would result in the loss of two key employees and probably a significant drop in both sales and profits if Dan is forced to work for a competitor. In addition, terminating Jim and Dan would damage the positive organizational culture that Dan has created and might result in morale problems, additional turnover and a reduction in the productivity of the remaining delivery staff employees. Not enforcing the policy would send the message that it is not really a zero tolerance policy after all. This could harm the enforcement of all other company no tolerance policies. In addition, not enforcing the policy would put Linda into conflict with company leadership.

She spent the day on the beach mentally formulating her reply to Victoria while enjoying the idyllic setting as much as possible. She once again met her cousin Rachel for dinner at South Beach and discussed her situation before ending the evening at a popular club on Collins Avenue. Allowing for the time differential between Miami and London, she placed the call to Victoria the next morning.

Linda: Victoria, I have talked to Dan Dole and, while the facts presented by the internal auditors are correct, there are additional facts that need to be considered.

Victoria: You know as well as I do that zero tolerance means zero tolerance. These two need to be terminated immediately.

Linda: What should be our goal? Enforcement of an inflexible policy or doing what is best for the company? Does it necessarily follow that termination has to be the punishment for violating a zero tolerance policy? Shouldn't a manager that has discretion over the disposition of large amounts of company resources also have discretion over disciplining its employees?

Victoria: We are a worldwide company with thousands of employees and we have to have strict rules governing their conduct. If we didn't there would be chaos. You need to do your job and terminate them as soon as possible.

Linda: There are other factors to consider. If I am responsible for the profitability of the region, then shouldn't I also have the discretion to make decisions that affect profitability? Wouldn't that include making decisions when extraordinary problems occur that conflict with company policies? We also have little tolerance for poor economic performance by regional managers. Firing these two will definitely adversely affect the profit of my region. If I send you a memo outlining the problems that firing these two would cause and proposing some other punishment, would you at least discuss it with the other members of top management?

Victoria: Quite frankly, sending such a memo could be quite injurious to your career. If you send it, I will read it. I will not guarantee anything further. Good day.

Linda had a big decision to make. Should she just fire them or should she write the memo? She was reluctant to discuss the matter with the senior vice president for North American operations and her superior, Benjamin Hill. Mr. Hill had transferred to that position from the company's London headquarters the previous month and Linda had yet to meet him in person. Because of the potential effect it might have on her career, she needed to spend some time considering the issues before she made that decision. As she relaxed in her beach chair she could not stop considering the pros and cons of what she should do next.