

Ethics- USAA and Shake Shack Case Scenario.edited (12).docx

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Ethics: USAA and Shake Shack Case Scenario

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Ethics: USAA and Shake Shack Case Scenario

During the COVID-19 pandemic, the U.S. faced significant economic challenges that affected many business operations. Following the course assignment's case study scenario on the USAA and Shake Shack, this paper explores the ethical dimensions and ¹ actions taken by the USAA and Shake Shack during COVID-19. It assesses the companies' decisions through the viewpoints of the theories of utilitarianism, fairness and justice, and rights and duties. The paper also evaluates the impact of the decisions on the companies' stakeholders and recommends ethical actions that the ¹ companies should take going forward.

Ethical Issues

The ethical issue related to USAA and Shake Shack is utilitarianism. ⁴ Utilitarianism is a moral, ethical theory that asserts that correct action is the one that favors the greater good of most people (Gilbert, 2016). From a utilitarian perspective, although the USAA decision might have negatively impacted some individuals who were relying on the money for immediate needs, one might argue that their decision to offset negative imbalances with the stimulus funds was meant to maximize the overall happiness of the customers by reducing the financial strain on the organization. In the case of Shake Shack, receiving a loan could be seen as an action meant to promote the overall happiness and well-being of the employees, stakeholders, and the community.

Stakeholder ¹ Implications

The stakeholders involved in the actions of the USAA are USAA members, including current and former military members, their families, and the company's shareholders. ¹ USAA's decision to use stimulus funds to offset negative balances could have impacted some of its

customers positively and others negatively, as since some could have benefited from the intended stimulus relief, those who had negative balances could have faced financial challenges. Negative customer consequences could lead to negative publicity, leading to a decline in shareholder value (Gilbert, 2016). On the other hand, the Shake Shack stakeholders involved in its actions included the employees and investors. The potential implications for the stakeholders included employees' benefit from the PPP loan and business stability for investors.

Utilitarian Viewpoint

A utilitarian would view USAA's actions as justifiable and Shake Shack's actions as unfavorable. Utilitarianism views an ethical act as one that benefits the larger population (Gilbert, 2016) and, in USAA's case, balancing the negative balances in some member accounts, while it may have negatively impacted some members by not having any access to the stimulus funds, a utilitarian would view the company's action as one that helped to maintain the company's stability thus protecting a large number of customers. A utilitarian would, however, view Shake Shack's actions as unfavorable since although they protected the well-being of their employees, their action led to the depletion of PPP funds, negatively impacting many smaller businesses and overall societal well-being.

Rights and Duties Viewpoint

Gilbert (2016) asserts that the theory of rights and duties requires firms or managers to uphold other people's rights and the duties accompanied by those rights. Using the viewpoint of rights and duties, the actions of USAA and Shake Shack would have mixed reactions. USAA's use of stimulus funds to offset negative balances without notifying its customers may be viewed as a violation of its duty to communicate transparently with customers, as customers have the

right to be informed about any decisions affecting them (Gilbert, 2016). Shake Shack's decision to take a PPP loan aligns with the right to seek financial support during tough economic times. However, the company's duty to consider other smaller businesses during the distributions of funds is questionable.

Fairness and Justice Viewpoint

The fairness and justice ethical perspective involves similarly treating people in similar situations (Gilbert, 2016). USAA's action to use the stimulus funds of some customers to balance negative accounts contradicts this perspective as the company did not consider that all customers were under similar financial constraint situations due to COVID-19. Lack of prior communication may also be viewed as unfair. Shake Shack's action of obtaining a large PPP loan at the expense of smaller businesses, on the other hand, could be perceived as unjust since the companies' actions did not treat smaller businesses under similar financial crises similarly, controverting Gilbert's (2016) definition of the fairness and justice ethical theory.

Recommended Actions

The actions these companies should take going forward should align with the ethical theories of fairness and justice and rights and duties. USAA should consider prioritizing clear and transparent communication of decisions with its customers as it promotes productivity (Gilbert, 2016). If possible, it should also review and reevaluate its policies regarding using customers' funds during economic crises, ensuring fairness and justice. Shake Shack should advocate for fair and just policies in relief funds allocation. Going forward, it should acknowledge the needs of smaller businesses during periods of economic crises.

Conclusion

This paper has explored the ethical concerns relating to USAA and Shake Shack's actions, pointing out utilitarianism as the main ethical issue related to both scenarios. It has also discussed the stakeholders involved (customers, employees, and shareholders) and how the companies' actions may have impacted them. Based on the course material, the paper has also discussed ³ the ethical theories of utilitarianism, fairness and justice, and rights and duties. In conclusion, the paper has given recommendations that the companies should consider going forward, such as observing fairness and justice, open and transparent communication, and the rights of stakeholders.

Reference

Gilbert, J. (2016). *Ethics for managers: Philosophical foundations and business realities*.
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