



Fall Semester 2020

Course: MGT404

Case Study 1: The Insider

Instructions:

1. Read the case below, and answer the questions at the end of the case.
2. Your answers must be based on the facts and other supporting evidence as indicated in the case, your notes and the relevant chapter(s) in the book.
3. Your report (summary and answers) should take at a maximum, 1 ½ A4 size pages.
4. This is a group assignment. Each group should consist of 2 to 4 members. Please state on the cover page, the names and numbers of all students in the group.
5. The assignment is due on November, November 11, 2020. Please send your assignment to my email address: yiannos.rossides@ac.ac.cy
6. Late assignments, if accepted, will be penalized, i.e. the maximum attainable grade will be 80%.

Case: The Insider

With their classic portrayals of good guys against the corporate bad guys, movie depictions of whistle-blowers are by no means a new idea. Films such as *The China Syndrome*, *Silkwood*, and *The Insider* have documented the risks and challenges whistle-blowers face in bringing the information they uncover to the general public.

The movie *The Insider* documents the case of Dr. Jeffrey Wigand and his decision to go public with information alleging that his employer, the tobacco company Brown & Williamson (B&WI), was actively manipulating the nicotine content of its cigarettes. Wigand was portrayed by Russell Crowe, and the part of Lowell Bergman, the CBS *60 Minutes* producer who helped Wigand go public, was played by Al Pacino.

The movie captures several key issues that are common to many whistle-blower cases:

- Wigand was initially reticent to speak out about the information—partly out of fear of the impact on his family if he lost his severance package and health benefits under the terms of his confidentiality agreement with B&W, and partly because of his strong sense of integrity in honoring any contracts he had signed. It was only after B&W had chosen to modify the confidentiality agreement after firing Wigand (allegedly for "poor communication skills") that Wigand, angered by B&W's apparent belief that he wouldn't honor the confidentiality agreement he had signed, chose to go public.

- B&W's response was immediate and aggressive. It won a restraining (or "gag") order against Wigand to prevent him from giving evidence as an expert witness in a case against tobacco companies brought by the state of Mississippi, but he testified anyway. B&W then proceeded to undertake a detailed disclosure of Wigand's background in order to undermine his reputation, eventually releasing a thick report titled "The Misconduct of Jeffrey S. Wig and Available in the Public Record." The extent to which the findings of this investigation were exaggerated was later documented in a *New York Times* newspaper article. The movie portrays Bergman as providing the material for a *New York Times* journalist to refute the B&W claims against Wigand.
- Wigand's testimony was extremely damaging for B&W. He not only accused the CEO of B&W, Thomas Sanderfur, of misrepresentation in stating before congressional hearings in 1994 that he believed that nicotine was not addictive, but Wigand also claimed that cigarettes were merely "a delivery system for nicotine."
- Even though Wigand's credibility as a witness had been verified, CBS initially chose not to run Wigand's interview with CBS reporter Mike Wallace in fear of a lawsuit from B&W for "tortious interference" (which is defined as action by a third party in coming between two parties in a contractual relationship-that is, CSS would be held liable for intervening between Wigand and B&W in the confidentiality agreement Wigand had signed). The fact that CBS's parent company was in the final stages of negotiations to sell CBS to the Westinghouse Corporation was seen as evidence of CBS's highly questionable motivation in avoiding the danger of tortious interference. In reality, the fear of litigation was probably well founded. After ABC had run an equally controversial segment on its *Day One* show accusing Philip Morris of raising nicotine levels in their cigarettes, Philip Morris, along with another tobacco company, R. J. Reynolds, launched a \$10 billion lawsuit against ABC, which was forced to apologize, and pay the tobacco companies' legal fees (estimated at over \$15 million).
- In November 1998, B&W subsequently joined with three other tobacco giants-Philip Morris, R. J. Reynolds, and Lorillard-in signing the Tobacco Master Settlement Agreement (MSAI, settling state lawsuits against them in 46 states for recovery of the medical costs of treating smoking-related illnesses. The settlement totaled \$206 billion and included provisions that forbade marketing directly or indirectly to children and banned or restricted the use of cartoons, billboards, product placement, or event sponsorship in the marketing of tobacco products.
- As vice president for research and development for B&W, Wigand was a corporate officer for the company and, therefore, the highest-ranking insider ever to turn whistle-blower at the time. His reward for speaking out was that he never reached the \$300,000 salary level he held at B&W again. At the time his story went public, he had found employment as a teacher in Louisville, Kentucky, teaching chemistry and Japanese for \$30,000 a year-a profession he proudly and happily maintains to this day. His marriage didn't survive the intense media scrutiny and B&W's attempts to discredit him.

- Six years later, Wigand was interviewed by *Fast Company* magazine, and he shared his unhappiness with the title of whistle-blower: "The word whistle-blower suggests that you're a tattletale or that you're somehow disloyal," he says. "But I wasn't disloyal in the least bit. People were dying. I was loyal to a higher order of ethical responsibility."

QUESTIONS

1. Wigand was initially unwilling to go public with his information. What caused him to change his mind?
2. Did CSS pursue Wigand's story because it was the right thing to do, or because it was a good story?
3. Since CBS played such a large part in bringing Wigand's story to the public, do you think the network also had an obligation to support him once the story broke? Explain why or why not.
4. Was CBS's decision not to run the interview driven by any ethical concerns?