

CAN MARTÍN KEEP HIS HANDS CLEAN? A RIGHT VS. RIGHT ETHICAL DILEMMA

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Victoria and Martín were friends. They had been co-workers when their relationship grew into a personal friendship while working together at GBS Bank. Later, Victoria moved to a different bank as a Relationship Manager. She was an effective communicator, had good relationship-building skills, and quickly became successful in that organization. Martín remained at GBS Bank and, within a short period of time, was promoted to the Credit Manager role where he was responsible for complex credit transactions for the bank's largest clients in Southern California. Victoria and Martín maintained a close relationship and over time, their friendship grew. After a few years, a Relationship Manager position became available at GBS Bank, and Martín recommended Victoria for the job. Victoria was hired based on Martín's recommendation. Victoria applied the skills she learned at her previous firm and success followed. She was promoted to the Senior Relationship Manager role at GBS within a short period of time. Her success also translated into success for Martín since he was managing credit transactions for all the new clients that Victoria was acquiring. Martín was generating a significant amount of revenue for GBS Bank and was soon recommended for a highly sought-after Senior Credit Manager role.

Martín recently became aware that part of Victoria's success was due to the fact that she was aggressively acquiring the client relationships of Nora, another Relationship Manager at GBS. Nora was recently divorced, which temporarily affected her job performance, and Victoria was

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taking advantage of Nora's distracted state. Martín recognized that Nora's continued under-performance could soon lead to her termination.

Martín's Dilemma

Martín was faced with a dilemma – to maintain a working relationship with Victoria and enjoy their continued success together, or confront Victoria for her behavior and report her to senior management, which could potentially lead to Victoria's termination, compromise his own opportunity to become Senior Credit Manager, and jeopardize the close friendship he has built with Victoria over the years.

Background

Victoria and Martín became friends while working together at GBS Bank, a financial institution with offices located in Los Angeles, Long Beach, and San Diego. Both worked at the Los Angeles office where they initially met in 2010. Their friendship grew partly due to their shared background. Both were first-generation immigrants - Martín from Germany and Victoria from Peru. They both came to the U.S. in 2003. Both were ambitious and enjoyed success in their respective professional careers. After working together for five years, Victoria left GBS in 2015 and took up a Relationship Manager role at a local competitor. Martín decided to continue his career at GBS where he eventually became a Credit Manager and started managing complex credit transactions for the bank's clients. Over the next few years, both Victoria and Martín maintained close contact and remained friends. Their relationship grew stronger, and both occasionally spent weekends together, including vacations.

In 2018, GBS Bank decided to expand its footprint in Southern California and, as part of its expansion plan, needed Relationship Managers like Victoria who were driven and ambitious. The bank developed aggressive client acquisition targets. Martín, without hesitation, recommended Victoria to his manager, not because of their friendship, but because Martín

believed that Victoria was the right fit for the role. Soon after, Victoria was hired based on Martín's recommendation.

After the initial few months of getting up to speed in the new role, Victoria started to build momentum and was acquiring client relationships at a rapid pace. Most days, she was out of the office, trying to expand her network with wealthy individuals and their family offices located in Southern California. Her hard work started to pay off and she was converting those prospects into client relationships.

Martín also benefited from Victoria's success. Martín was the Credit Manager on most of the new client relationships that Victoria was acquiring. When a client engaged in a credit transaction, the margin on the transaction was the source of revenue for the firm. Of all the financial products GBS offered to its clients, credit products were key drivers of revenue for the bank. GBS Bank employed credit managers like Martín who were experts in credit-related transactions. To maximize efficiency, credit managers had three to four credit specialists who reported directly to them. Credit managers such as Martín also had revenue goals. Credit transactions had the highest margin spreads among most banking products and Martín was experiencing record months in terms of revenue generation for the firm. Martín's manager was very pleased with his performance and Martín was recommended for a Senior Credit Manager ("SCM") role by the credit committee of the bank.

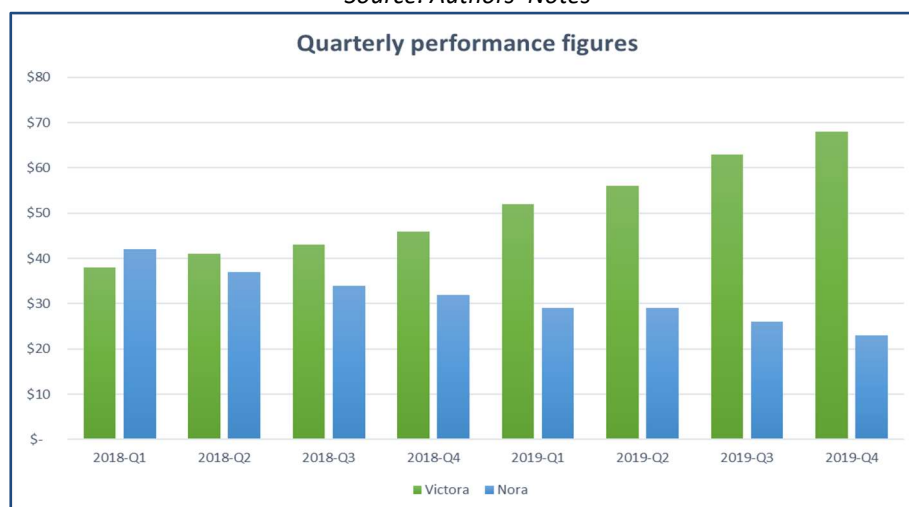
As part of the Credit Solutions Team, Martín had to maintain close working relationships with all relationship managers in Southern California. In a bank such as GBS, it was the relationship manager's responsibility to acquire clients.

One such relationship manager was Nora. Martín had known Nora for quite some time. Nora had previously maintained an acceptable level of performance in terms of client acquisition, but lately she was having difficulty achieving those targets. While speaking with Nora on a Friday afternoon, Martín discovered that Nora was a single mother with two children and was recently

divorced. Nora told Martín that Victoria had been actively soliciting some of the new prospects that Nora had been developing relationships with - but had not yet converted into clients. Nora was convinced if she overcame the distractions in her personal life, she would be able to convert some of those prospects into clients. Nora was concerned for her job security if she failed to meet client acquisition targets for the next two quarters. She had barely managed to acquire enough client relationships in the previous year and was behind in the first two quarters of the current year.

Exhibit 1. Comparative Revenue for Victoria and Nora

Source: Authors' Notes



Martín's Decision

Martín realized he had a very difficult choice to make. Should he forget about the conversation and move on, leaving Nora to fend for herself? Martín's inaction could potentially lead to Nora's termination. Should he report Victoria's actions to the Senior Manager? If so, Victoria could face disciplinary actions up to and including termination.

Additionally, Victoria's outstanding job performance had been a significant contributing factor to Martín's success including the upcoming promotion for the SCM designation. Should he

sacrifice his career advancement to defend Nora? What would happen to the close friendship that Martín and Victoria enjoyed?

While driving home that Friday, Martín decided to think through the dilemma that had been presented and determine his best course of action. After all, his upbringing was modest, and his parents taught him to always do the right thing.

Exhibit 2. Excerpt from GBS Code of Conduct

Source: Authors' Notes

At GBS, we strive to ensure that we act in the best interests of our clients and create economic value. We hold ourselves and each other to behave ethically and professionally in our dealings with all stakeholders.

Employees must:

- *Behave fairly, transparently, honestly, and dependably.*
 - *Demonstrate responsibility for your own decisions and hold others accountable to these standards, including reporting unethical conduct and violations or potential violations of laws, regulations, policies, and this Code.*
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Subhashis Das manages a loan portfolio of both agented and syndicated collateralized loans secured by art, aircraft, commercial real estate, private equity, and hedge funds and unsecured loans across the U.S. He leads the credit underwriting process including projections, financial statement analysis and industry analysis, and risk and return evaluation to facilitate booking of loans and derivative exposures. Mr. Das participates in business development efforts to identify and structure customized lending solutions while minimizing lender risk. He received his MBA from Cal State LA.



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