

## **An Errant Knight: (Dis)Honesty and Ethics In the Dismissal of a Senior, Long-Term Employee**

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Knight was the manager of a Steinbeck's Storehouse retail department store. He was fired after 17 years of service for altering employee payroll records in order to eliminate the payment of staff overtime. He had taken this action on the strength of a head-office directive, communicated by the regional vice-president in a recent, strongly-worded memo, that overtime would not be tolerated and that a "zero budget" had been allocated for staff overtime. The memo read in part:

EXCEPT FOR WHEN WE HAVE TO PAY FOR STATUTORY HOLIDAYS  
WHERE THE LAW REQUIRES, OVERTIME WILL *NOT* BE TOLERATED  
IN 2014. AS A MATTER OF FACT THERE NEEDS TO BE ZERO BUDGET.

(Emphasis in original.)

Knight was also aware of strong policy statements against editing payroll and other records. Nevertheless, in the usual course of events some editing of the time records was necessary to correct errors, such as when employees forgot to swipe in or out. In order to accommodate the overtime directive, Knight advised the employees he could not allow any unauthorized overtime, which did occur when employees occasionally swiped out a few minutes after the normal end of an eight hour shift. He further advised employees that they would be scheduled for seven and a half hour shifts, rather than the usual eight, in order to allow a half-hour buffer to absorb inadvertent overtime. Subsequently, Knight followed through, editing time records to remove time over eight hours.

The practice was reported to the district manager who suggested to Knight that the situation was serious but that he would investigate and likely recommend against termination. Knight asked not to be kept in suspense because his wife was about to give birth to their second child. Knight believed that the district manager would "go to bat" for him. However, the district manager had been less than candid about his support and subsequently terminated Knight without acknowledging that the decision had been his all along. Furthermore, he had rushed to the conclusion that Knight had been dishonest from the beginning.

Knight was advised in writing that he had made 80 different adjustments affecting 34 employees and that he had effectively stolen employees' income citing as grounds his dishonesty in altering payroll records amounting to \$467 over a four-month period. In his termination letter, the district manager stated that Knight had known his actions were against company policy and that his actions had "totally destroyed the essential trust ... which must exist." In defense, Knight claimed that he was acting on his belief that he was enforcing the company's specific policy relating to overtime in the absence of more specific instructions. He had received no personal benefit and freely admitted that he had made the changes. Moreover, he had called specific attention to his actions by initialing the edited entries, "K.F. Knight."

## Assignment Questions

### Section 1: A Question of Ethics

1. Did the store manager, Knight, face an ethical dilemma upon receiving the overtime memo and, if so, what was the nature of the dilemma? Did the store manager 'steal' from the employees? What steps did the store manager take and were his actions justified?
2. What would be the purpose of Steinbeck's policy on editing employee payroll records? Was it effective? Was it possible for Knight, or any other reasonable person, to meet the ethical, as well as the budgetary, expectations expressed by Steinbeck's?
3. Consider the actions of Steinbeck's regional manager with respect to the dismissal of Knight. What ethical issues should be considered? Did the regional manager behave ethically?
4. Did the manager display professional ethics in the dismissal of Knight?

### Section 2: A Question of Law – The Canadian Common Law of Wrongful Dismissal and Workplace Policies and Practices

An implied term of employment in Canadian common law, is that employees may be terminated at any time as long as the employer provides reasonable notice of dismissal, or severance in lieu, unless the employer has just and sufficient cause for summary dismissal. The courts consider many concepts with substantive ethical and managerial value in examining the claims of wrongfully dismissed employees. These concepts include:

- employer condonation of past employee indiscretions,
  - the nature and seriousness of dishonesty,
  - due process,
  - proportionality of discipline,
  - progressive discipline,
  - objective standard of performance,
  - just and sufficient cause, and
  - reasonable notice period.
1. Based on Knight's past performance, is it possible that the employer had condoned his performance with respect to the overtime policy?
  2. Assess Knight's alleged dishonesty in terms of its seriousness. Did his dishonesty rise to the level of seriousness that might justify dismissal for cause set out in *McKinley v. BC Tel* (2001)? The test articulated was "(1) whether the evidence established the

employee's deceitful conduct on a balance of probabilities, and (2) if so, whether the nature and degree of the dishonesty warranted dismissal" (McKinley, 2001; para. 65).

3. Was Knight's dismissal a proportional response to his alleged dishonesty?
4. If dismissal was a disproportionate response to Knight's behaviour, what action, if any, would have been appropriate?
5. In the alternative, could the employer argue that Knight's performance fell below an objective standard in that he failed to obey the rules or other policies of the employer?
6. Consider the dismissal of Knight from the perspective of due process. Was the decision process used to dismiss Knight carried out in a fair manner?
7. Did the employer have just and sufficient cause to dismiss without reasonable notice? Note: First, list and provide a brief explanation for the factors that support dismissal for cause; then, list and explain factors that do not support dismissal for cause; finally, answer the question above with a yes or no, together with your reasons.
8. Assume that the employer did not have cause for dismissal, based on what you know about wrongful dismissal law, what should the length of notice have been? Note: First consider the factors which are usually considered when determining the appropriate length of notice to provide; second, provide an answer to the above question in months together with an explanation of the relevant factors. Should the notice period be augmented because of the manner of dismissal?

### **Section 3: Questions in Organizational Behaviour**

A topic frequently considered in organizational behaviour is whether disciplinary decisions are perceived to be fair by the person being disciplined, or by other employees. A related topic concerns the attributions we make about employee's behaviour and how that influences our attitudes.

1. Consider the aspects or dimensions of procedural, distributive and interactional justice (Colquitt, 2001).
  - a. Assess the case employing the dimensions of procedural justice. Was the decision process to dismiss Knight carried out in a fair manner?
  - b. Assess the case based the dimensions of distributive, or outcome, justice. Did the decision to dismiss Knight represent an equitable outcome?
  - c. Assess the case based on the dimensions of interactional justice, including interpersonal and informational justice. Was Knight treated with respect and propriety? Was the regional manager candid and did he provide a justification for his decision?
2. Did the regional manager make an attribution error in the dismissal of Knight?