ETHICS DETECTIVE

Solving the Case of the Overblown Proposal

As the manager in charge of your company's New Ventures Group, you've read your share of proposals—hundreds, maybe thousands, of them. You've developed a sixth sense about these documents, an ability to separate cautious optimism from self-doubt and distinguish justified enthusiasm from insupportable hype.

Your company invests in promising smaller firms that could grow into beneficial business partners or even future acquisitions. In a typical scenario, a small company invents a new product but needs additional funding to manufacture and market it, so the owners approach you with funding proposals. Because you make the first major decision in this investment process, your choices and recommendations to the board of directors are crucial.

Moreover, the risks are considerable: If one of your recommendations doesn't pan out, the company could lose all the money it invested (often millions), and that's only the start. Failures consume your team's precious time and energy and can even put the company at risk for shareholder lawsuits and other serious headaches. In other words, mistakes in your line of work are costly.

The proposal in front of you today is intriguing. A small company in Oklahoma has designed a product called the Wireless Shopping List, and you think the idea might appeal to upscale homeowners. Small touchscreens are placed around the house, wherever occupants are likely to think of things they need to buy on the next shopping trip: on the refrigerator door, in the media room, in the nursery, in the garage, in the gardening shed. The system collects all these inputs, and on command it prints out a shopping list or downloads it to a smartphone. It's a clever idea, but one paragraph in the proposal bothers you:

> Everybody in our test market audience was absolutely stunned when we demonstrated the simulated system. They couldn't believe something like this was even possible. It was so handy and so convenient—everyone said it would change their lives forever. We haven't even specified the price yet, but every single person in the room wanted to place an order, on the spot.

ANALYSIS

This proposal potentially oversells the idea in at least three ways. Identify them and explain how they could lead you to decline the investment opportunity.