

## **Case Study:**

### **Midwestern Intercom's Dilemma**

A company called *Midwestern Intercom* has sold 200,000 intercom units to date.

Pediatricians, on their own, have recommended that parents use the intercoms in combination with sensors made by another company.

When used together, the intercoms and sensors could prevent sudden infant death syndrome by sounding an alert when the baby's pulse becomes irregular.

But now, *Midwestern* has discovered a soldering flaw in the intercom's circuit board that may keep it from sounding an alert when it is used with the sensor. In failure mode, the sensor user would have no way of knowing of the malfunction. This poses a significant risk to human life.

*Midwestern* knows that at least 10,000 sensors from the other manufacturer have been sold, but it does not know how many intercoms are being used for the purpose of monitoring children. It doesn't even know how many intercoms may fail when used with the sensors.

*Midwestern* has recently initiated a successful public offering with the company planning to capitalize on the growing sales and profits. This product failure issue poses a threat to the company and to human life.

This case study was developed exclusively for the Intercultural Resource Corporation by

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## **Midwestern Intercom's Dilemma: Memo**

**MIDWESTERN INTERCOM. INC.**  
**INTERNATIONAL DIVISION**  
**UNITED STATES HEADQUARTERS**

**TO: Members Of The Executive Committee In The  
U.S., Argentina, And Japan**

**FROM: The Office Of The Chief Executive**

**SUBJECT: Corporate Response To Product Failure**

We must make a decision today concerning our response to the potential product failure. This is a situation of the gravest importance to us, to our customers and to the future of the company. By this memo, I am instructing your groups to meet this morning and develop recommendations as to what actions we should take to manage this crisis.

We are dealing with the survival of the company and the risk that children may die.

Please submit your recommendations as soon as consensus has been reached.

**Before watching how these groups  
responded, take some time to deliberate  
the best possible recommendation.**

**What should the company do?**