

Corporate Leadership and Ethical Decision-Making in a Global  
Economy  
Deciding Between the Right Thing to Do... and the Right Thing to Do.  
*Tuesday May 2, 2000 7:30 am – 10:00 am*  
*Toronto Board of Trade, 1 First Canadian Place*

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**KEYNOTE ADDRESS**  
SPEAKING NOTES  
May 2, 2000

**The Role of Business in Society: The Role of Business in Building Stronger  
Communities**

- An issue on which I have strong views, based on experience with a wide variety of businesses as executive, director, consultant, and with community organizations, or Civil Society
  - United Way
  - Public Education
  - Health Care
  - Special Programs for Youth
- I gave a speech to the Canadian Club 2 ½ years ago. My position was then and remains today very clear:
  - Business has a responsibility beyond its basic responsibility to its shareholders; a responsibility to a broader constituency that includes its key stakeholders: customers, employees, NGO's, government. The people of the communities in which it operates.
  - This is the concept of corporate citizenship or corporate social responsibility.
- Charles Handy: "profits are necessary, but not a sufficient condition of success. There is a striking difference between just making money and creating wealth".
- That speech got a lot of media attention
  - Someone from business saying this

- I didn't think it was particularly radical
- Many businesses behave this way, even if they don't speak about it
- But not many are willing to speak about it
- In that speech, I said that business would "do well by doing good"
  - recognized the fundamental responsibility to manage the business profitably, create and maintain good jobs, pay taxes and deliver value to shareholders.
  - but I also quoted the results of an Angus Reid survey: the public believes 20% of charity revenues now come from business; should be 30%; is less than 2%. Ben and Jerry's: 7.5%
  - the point was the enormous public expectation of business and the mismatch with reality.
  - and that same poll indicated then, that about 40% of Canadians believe that business was being "less responsible".
- What has happened since then?
  - My statements about public expectations and their importance / potential impact have become much stronger:
    - WTO in Seattle
    - Talisman in Sudan
    - IMF Meeting in Washington
    - Coca Cola in Europe
    - Big business is now seen as hugely big, global, and in many ways, displacing government.

Business, big and small, is a critical factor in the economic, social and cultural development of all societies. There has been a massive transfer of influence and power to the private sector. Business has emerged as the principal engine of growth and development in the New World order. It has exercised its power and often claimed new rights. Has it met, is it meeting its responsibilities?

- How about public expectation?

EnviroNics Millennium Poll on Corporate Social Responsibility – 1000 citizens in each of 23 countries in 6 continents - total of 25,000 in May 1999:

- in forming impressions of companies, people around the world focus on corporate citizenship ahead of brand reputation or financial factors
- 2 in 3 citizens want companies to go beyond their historical role of making a profit, paying taxes, employing people and obeying all laws: they want companies to contribute to broader societal goals as well. The strongest views are held in Australia, Canada, the United States and the United Kingdom.
- Not just actively contributing to charities and community projects – 10 other areas

- Protecting worker health and safety
- Employment equity (with bribery)
- No involvement in corruption
- Protecting the environment
- No child labour
- Making a profit and paying taxes
- Applying the same high standards all around the world
- Responding to public views and concerns
- Helping solve social problems
- Support charities in communities

Opinion leader analysis indicates that public pressure on companies to play broader roles in society will likely increase significantly over the next few years.

- What are the key areas of the expanded role of business?

My categories:

- Employees
- Environment
- Community

A U.K. study: **What is Corporate Social Responsibility?**

- the business values and policies and practices at home and abroad
- management of environmental and social issues within the value chain
- voluntary contributions made to community development around the world
- How is business doing?

It all depends

- Employees
  - has become a competitive must for many businesses.
  - the War for Talent is here – the critical battleground – and we are seeing businesses of all types respond in a variety of new and creative ways: training and development, flexibility, family friendly.
  - and we have seen business in Canada make a very strong pitch for lower and different (for options) income tax to enable us to become more competitive with the U.S. in particular.
  - it has been in the clear self-interest of business and many businesses have responded.
- Environment

- Transparency: reporting has become the norm, with all the data, good and bad. And better scientific data, although the tough issues are normally not black and white
- sulphur fixation in smelters
- EMF in transmission wires
- The ever-increasing pressure of environmental NGO's and community groups –
- Boycotts,
- Commercial pressure,
- Forest sector - MB and clear cutting; recent decision by 2 large companies not to buy material from old growth forests.
- Business has made large strides and they continue. It has been in business' self interest to date.
- Community:
  - Mixed results.
  - Positive: working to make a difference; focus; give more to fewer demand performance and accountability – e.g. OHSC focus on Safety as a theme.
  - Trend: to have more employee input, rather than senior management; support employees and reflect their concerns and priorities.
  - But, the search for self interest or the opportunity to promote self interest in all charitable giving:
  - source of huge concern to the NFP sector
  - The first question for business is often not how can we help, but what's in it for me?

#### "Strategic Philanthropy"?

- focus?
- employees?
- self-interest?
- The good news: business is willing to go further than a straight donation or just writing a cheque.
  - full partnership
  - not just the \$ - but the intellectual capital
  - the knowledge and the people

## 2 Examples

- Kids Help Phone and Bell Canada
- Chapters and Frontier College
  
- The bad news:
  - There are too many critical service organizations with people who need them, that won't fit the "what's in it for me" test for business. extreme example: Nortel and United Way
  - If the Nortels of the world will not look philanthropically at the communities in which it operates, who will? What will be the human cost?
  - The downsizing of government, the funding cuts for many social services, health, education, have created very tough situations for many service organizations – and, more importantly, for their clients.
  
- I asked about how we will react to seeing the homeless in our streets. Will we stop being shocked? Stop caring? The situation is now much worse. Are we shocked? Do we care?
- What about the gap between the haves and the have-nots? In this City? In this country? Around the World?
- Is our society become Healthier?
- Are our communities becoming Stronger?
- Is business doing its share?
  
- It all depends:
  - some continue to carry the burden for many – do more than their share.
  - many still do nothing or not nearly enough
  - the e-business dot com world is looking for new models.
  
- Ultimately, business will do what is in its own self-interest. The key question for our communities and society is how narrowly business will define its self-interest.
  - The success of business is ultimately dependent on the success, strength and optimism of the society(ies) in which it operates. It is the responsibility of business – and it is in the broader self-interest of business to take an active role in shaping that society.
  
  - Business cannot selectively cherry pick the self-interest or self-promotion items. It's role is much too far reaching for business not to look more broadly at community health; to see itself as a partner with the NFP and government sector – of civil society; in creating a society that will be better for all of us.

## **Case Study: CanPlast's International Expansion**

*Please note that the following case study was developed by David Simpson, Director of Interpraxis Consulting. All inquiries concerning reproduction should be directed to the author (info@interpraxis.com)*

CanPlast is a large Canadian plastics manufacturer based in Toronto with manufacturing facilities located in Mississauga, Drummondville and Windsor. The company with an approximate workforce of 700 employees, is a major supplier of plastic components to the Canadian and US automotive industry. Three months ago angry company shareholders reacting to the company's "consistent under-performance" on the TSE, demanded a change in the company's leadership and the Board responded by replacing the CEO with Bay Street darling Kelly Chase. Before accepting the helm, Chase commissioned a thorough study of the industry and discovered that many of CanPlast's competitors have moved parts of their manufacturing and assembly operations off-shore due primarily to financial considerations.

While CanPlast has increasingly sourced some of the components for its products overseas, in countries such as Indonesia, it has never located any of its manufacturing and assembly operations outside of North America. However, in the course of negotiating purchases with suppliers in Southeast Asia, CanPlast has become aware of significant opportunities to locate some of its own manufacturing and assembly operations in these countries. A preliminary feasibility study was carried out last year and the results suggested very positive results for the company in terms of improved profitability and market share.

At the same time, Canplast is facing some challenges here at home. The newly elected government in Quebec has just released a discussion paper last week outlining some strict new environmental regulations concerning VOC (Volatile Organic Compound) levels which it plans to phase in over the next 5 years. This may be a problem for the Drummondville plant which still uses some relatively older technology and equipment in its manufacturing process. All of the machinery is in very good working order with very little downtime recorded in the last few years. However, it is doubtful that the plant will be able to meet the proposed new environmental regulations without significant re-engineering and re-tooling. This may have some implications for CanPlast's international expansion plans.

Chase knows that there are a lot of important decisions to be taken over the next few months and there is a lot of pressure on her/him to perform. In preparation for a Board Meeting later in the week, she/he has called a meeting for Tuesday morning and asked a number of key individuals within the company to brief her/him on various issues and to help design a plan for the company's future course which she/he will take to the Board Meeting.

The day before the preparatory meeting, Chase begins to settle into her/his new office and discovers a document jammed behind the top drawer in her or his desk. It's the corporation's code of ethics (attached) which was commissioned back in 1994 but never

fully implemented. Chase decides to incorporate the code into the company's decision making model as they plot out the company's strategy for its possible international expansion. Copies of the code are distributed to all those in attendance on Tuesday before she/he calls the meeting to order.

### **Meeting Member Roles:**

#### **Chief Executive Officer**

This role is given to the rapporteur / facilitator. They will guide the discussion and challenge their colleagues to come up with recommendations for the company. The CEO role will be played by people from the Centre for Ethics & Corporate Policy, the Conference Board of Canada and related organizations. A Rapporteur / Facilitator's Kit will be developed for these people with all the required resources and a list of issues and questions which the CEO will pose to the group.

#### **Vice President**

You were asked to research some of the environmental implications of the expansion. Some points which you wish to share with those at the meeting include:

The environmental regulations and laws in Indonesia are a lot more relaxed especially in the EPZ (Export Processing Zones). CanPlast could certainly meet current environmental regulations in the host country even if it used machinery from the Drummondville facility. These regulations would not necessarily meet Canadian environmental standards.

The proposed environmental regulations announced in Quebec are still only plans; you have been assured by political lobbyists that it would be possible to persuade the government to add a 'grandfather clause' to the legislation which would exempt it from applying to current equipment.

An environmental assessment of the potential site in Indonesia reveals that there would be very little environmental problem associated with the CanPlast facility itself but there is some concern with respect to the current capacity of the transportation and storage of some mildly hazardous waste which would be produced by the plant. In Canada CanPlast simply contracts an agency to remove and store this material. Waste removal services are offered by a local government agency in the proposed region but the current practices would not meet standards in Canada.

#### **Chief Financial Officer**

You have been asked to identify economic considerations involved in a potential expansion. Some of the points which you wish to share with Chase and the Board Members include:

The portfolio manager of the Lewiston Investment Fund (the largest single investor by far which has a 21 percent holding in CanPlast) has indicated to you its support for an international expansion citing a recent industry report by the American Bankers Association which quotes a 12 to 13 percent rate of return in Industrialized countries compared to a 28 to 33 percent profit in the South.

The feasibility study suggests that CanPlast would be in a good position to export most of its product to the North while also being able to corner a sizable auto parts market in the host country. In particular it would supplying parts for Indonesia's controversial "Timor" national car (a joint venture between Kia Motors Corporation of South Korea and former President Suharto's youngest son Hutomo Mandala Putra). (The car is controversial because as a national car it is eligible for special protectionist policies which allows PT Timor Putra Nasional to import vehicles free of the tariffs and luxury taxes that Indonesia imposes on other car makers.

Furthermore the study reported that a plant in Indonesia would allow CanPlast to take advantage of lower wages, generous tax rebates, weak environmental laws, government restrictions on unions and relative political stability.

### **Human Resources Director**

You have been asked to explore implications for labour associated with an international expansion – both in Canada and the host country.

The feasibility report implies that the effect of an international expansion on the Company's Canadian workforce would likely be an issue. Depending on future overseas contracts, layoffs could be as low as 150 employees or as high as 300. It may also mean the closing of a plant in Canada. On the other hand, the proposed plant in Indonesia would provide approximately 500 jobs to Indonesian workers in an area where unemployment is very high.

The CanPlast's union has enjoyed relatively good relations with CanPlast's management over the last 5 years. They are not supportive of an international expansion because of the possibility of lay-offs and plant closures. Labour unrest may emerge if they are not assured that the expansion is good for them in the longterm.

Government officials in Indonesia have assured that there will be no problem in sourcing the labour required for the plant and that legislation makes it virtually impossible for unions to organize.

### **Compliance Officer / Government Relations Liason**

You have been asked to examine legal and compliance issues concerning the proposed international expansion. Some information you wish to share with the board includes the following:

According to Transparency International's Corruption Perception Index, the level of corruption in Indonesia is perceived to be very high. (Indonesia ranks 96<sup>th</sup> out of 99, above only Nigeria and Cameroon). You anticipate that you will be asked to bribe various government officials to carry out the expansion project within a reasonable schedule.

You are aware that the Canadian parliament recently passed the "Corruption of Foreign Public Officials Act" which makes it a criminal offence punishable by up to five years in jail to pay a bribe to a foreign public official to gain a business advantage. At the same time you know through first-hand conversations with executives of other companies that there are ways of getting around this legislation without getting caught. It has become a part of doing business in Indonesia.

One foreign company you know about recently made a generous donation to a charitable organization in Indonesia which apparently promotes community economic development. However, as is often the case in Indonesia this particular charity is chaired by a relative of a very influential cabinet minister and no one knows for certain how this money will be spent. The only thing for certain is that the donation has seemed to gain the company favour with the ruling party.

### **Marketing Director**

You have been asked to look at the expansion from the point of view of CanPlast's customers. You wish to share the following with your colleagues:

If the expansion means job losses for Canadians, there is a possibility of a backlash in that there may be a perception among consumers of "exporting Canadian jobs overseas". However, experience tells you that 'moral outrage' will not likely extend beyond the affected community and will be quickly forgotten. Furthermore, most of CanPlast's customers are car manufacturers who are more concerned with quality and price issues and not about the citizenship of their suppliers.

The issue of whether the supplier treats their workers fairly may be of more concern to North American car manufacturers (or more specifically their unions) than other issues. CanPlast may have to convince the Automotive Unions that they will not engage in exploitative labour practices in any proposed new facility. Union leaders at the Big Three in North America are placing increasing pressure on company presidents to demand that they only source parts from unionized suppliers.

The expansion presents an opportunity to market the company as an international auto parts supplier – not just a Canadian company. Presence in Asia will give the company an advantage when developing clients among Asian automobile companies as CanPlast's physical presence will be seen as a commitment to the economic development of the region.

Price is also a major concern among your customers. It is assumed that that your manufacturing costs would decrease marginally if you produced components off shore.

### **Proposed Local Manager**

You were asked to give the board an honest, on-the-ground briefing of the situation in Indonesia (particularly the proposed community). You were born about an hour away from the proposed site location (where you still have family), received your education in the US and have been working for CanPlast for the last 6 years. Through information you have gathered by yourself and from your family members in the region, you wish to share the following:

The local government leader is notoriously corrupt, and unrepresentative of the local people. He is the largest landowner in the region and controls the local police force. Those who dare to challenge him are usually thrown in jail on petty charges.

The local adults have very high literacy rates (76% among men and 67% among women) but the levels of literacy among the children is not improving because their parents can't afford to send them to school full-time. Most adults are very skilled workers, but they have had no opportunity to work since a shoe manufacturing plant closed down more than 2 years ago. Unemployment and under-employment is very high in the region – but people are eager to work. The average wage in the area is about \$3/day for the type of work required by CanPlast.

There has been some reports of minor health problems among the local population believed to be connected to industrial pollution and a disproportionate level of maternal mortality in the community since the health centre closed as part of IMF structural adjustment remedies.

The proposed expansion could make a real improvement in the lives of the local population.

### **Community Relations Officer**

You were asked to identify the implications for the community associated with the proposed expansion - for both the communities in Canada and Indonesia. Some points you wish to share with the board include:

If you reduce your production in Canada your traditional suppliers (from Quebec and Ontario) will be affected negatively.

The province of Quebec gave CanPlast a \$500,000 grant in which to use to leverage other financing from the banks when it first set up its plant in the community back in 1969. In addition it granted the company a 5 year tax holiday from municipal taxes.

CanPlast was a major sponsor of Drummondville's Multicultural Festival. The city will be hard-pressed to find another sponsor if the company pulls out.

Preliminary talks with Indonesian officials have indicated their interest in possible technology transfers. They believe by exposing their citizens to new manufacturing methods from Canada, it will have positive spin-off effects in other areas of the economy.

The expanded roads which would have to be built for the plant could also be used by local farmers to dry their rice.

## **CASE STUDY: Purpose and Description**

### Corporate Leadership and Ethical Decision-Making: Interactive Workshop

**Purpose:** To enable participants to gain information and insights into some of the ethical, social, and economic decisions facing corporations in an increasingly globalized economy; and to appreciate the impact that their decisions have on various stakeholders both in Canada and abroad.

**Group Size:** This scenario is meant to be interactive and draw upon the creativity of all participants. It requires 8 people (7 role players and 1 facilitator/ rapporteur at each table).

**Time:** 35-40 minutes role-play ; 30-35 minute plenary discussion

**Resources:** 8 copies of case study scenario. Copies of role descriptions. Copies of company's code of conduct. Rapporteur/Facilitator Kit.

**Description:** People take on roles assigned to them and try and think, feel, and act in their roles however they see fit. Participants are seated at a round table (7 participants and 1 resource person at each table). Once the CEO goes over the case study scenario they will call the meeting to order and ask the meeting members for their feedback on CanPlast's potential international expansion in Indonesia. Each participant is given an opportunity to report to the group based on their character's role. Once everyone at the table has presented their information, the group will then be asked to make recommendations on the company's future course of action. The CEO will lead participants through a number of ethical as well as corporate issues for the group to consider.

*Note: The group is encouraged to be as creative as possible in putting forth their suggestions and recommendations. The group may make assumptions which are not openly stated in the scenario but they must record all their assumptions on a separate piece of paper. Some groups will also be asked to share their group's decision-making process with the larger group in a plenary session.*

*CanPlast is an entirely fictional company.*

***Meeting Participants:***

- 1) Vice President (environmental implications)
- 2) CEO & President (this person will be the rapporteur)
- 3) CFO (financial considerations and shareholder concerns)
- 4) Human Resources Director (labour issues both in Canada and Indonesia)
- 5) Compliance Officer (corruption & bribery / government relations)
- 6) Marketing Manager (reputation management – customers)
- 7) Proposed Local Management (human rights)
- 8) Community Relations (effects on communities in Canada and host country)

*N.B – For the purposes of flexibility, this role will be non-essential in cases where there are only 7 people at a table.*

**WORKSHOP RESULTS - May 2, 2000**

*Discussion Questions*

- 1) *Would you recommend the expansion opportunity be pursued ?*  
*1b) If Yes, what minimal conditions should CanPlast have in place before proceeding. If No, what are the two principal reasons for not going ahead.*
- 2) *Was this scenario realistic? Could this meeting ever take place? Why or why not?*
- 3) *Other Comments / Notes on Exercise / Assumptions*

**GROUP 1 / CEO - Bronwyn Best**

*Would you recommend the expansion opportunity be pursued?*

The group agreed it should expand into Indonesia, but only after further research, including research regarding North American business partners (i.e., Are they behaving ethically? Do they have codes of conduct? If so, are they being implemented?; etc.). If the final decision is to proceed, it must be done in an ethical manner.

*If Yes, what minimal conditions should CanPlast have in place before proceeding. If No, what are the two principal reasons for not going ahead.*

Investigate possibility of using equipment from Quebec plant in Indonesia and investing improved profits from Indonesia into re-fitting Quebec plant (rather than closing Drumondville).

CanPlast will carry out its manufacturing investment in Indonesia in an ethical manner, from the outset.

*Was this scenario realistic? Could this meeting ever take place? Why or why not?*

Yes, these are real issues. This type of meeting would, indeed, take place.

*Other Comments / Notes on Exercise /Assumptions:*

Should there be an increase in profits from investing in Indonesia, it is assumed these could come one-third each from: improved rate of return as a result of lower labour costs; lower environmental standards; corporate relationship/ "philanthropy."

Dramatic decrease in price of product, to the consumer, in 3-5 years, as a result of a manufacturing investment in Indonesia.

Group 2 – CEO – Tracy Parker

*Would you recommend the expansion opportunity be pursued?*

The initial discussion of the group seemed to suggest that the financial incentives to moving to Indonesia and values in the code of conduct were in direct opposition. For example, it was reported that a plant in Indonesia would allow CanPlast to take advantage of weak environmental laws while the code's principles included ensuring that CanPlast's activities are consistent with sound environmental management and conservation practices.

However, the general consensus was that the company had to make a move. The group agreed to initiate the move to relieve the anxiety of some shareholders. They also discussed the importance of considering alternative ways of making Canadian operations more efficient and the possibility of moving to a different Asian country besides Indonesia since corruption and bribery were so rampant. One member of the group pointed out that it would be next to impossible to do business in Indonesia and comply with Canada's "Corruption of Foreign Public Officials Act".

The group discussed the costs of moving including the layoffs in North America. It was suggested that a cost benefit analysis of the costs of moving be compared with the costs of retaining operations in Canada and attempting to do things more efficiently.

*If Yes, what minimal conditions should CanPlast have in place before proceeding. If No, what are the two principal reasons for not going ahead.*

The group assumed that they could establish a plant in a foreign country and comply with the minimum standards in the Corruption of Foreign Public Officials Act.

CanPlast should begin to make the transition. By taking immediate action the company can appease shareholders but by making the move in various stages it can assess the problems that lie ahead more thoughtfully.

The code of ethics will be a valuable tool for managers and employees during the transitional process. The code is a resource and will have to be implemented and employees will have to be trained in its application to various situations.

The move to Indonesia will not only cut costs but also provides the opportunity to increase revenue through marketing the company as an international auto parts supplier – not just a Canadian company.

#### GROUP 3 / CEO – Tim Draimin

*Would you recommend the expansion opportunity be pursued?*

The group did not reach consensus but half of the group clearly favoured the option of expansion or conditional expansion. Expansion didn't necessarily preclude continued Canadian operations at some level. The minority opinion was to stay in Quebec at least for a period of time and to invite local workforce/ community into a process/consultation to help forge a new business strategy and plan. If the company didn't move, one fall back plan could be to be more aggressive expanding markets in Asia.

*If Yes, what minimal conditions should CanPlast have in place before proceeding. If No, what are the two principal reasons for not going ahead.*

Going ahead in Indonesia would require:

- Adopting a code of conduct
- Ensuring the application of North American environmental standards

Besides the direct benefits of adopting and maintaining these standards, the company would be able to reposition itself as an industry leader. This market differentiation as an ethical and environmental leader would help expand sales. The integrity of the new government leadership in Indonesia was seen as an important factor in visualizing a constructive future there for the company.

*Was this scenario realistic? Could this meeting ever take place? Why or why not?*

- The scenario seemed very realistic.
- It was suggested that it would be useful to bring the scenario in-house in our companies as a training exercise.

#### Group 4 / CEO – Anne Kerr

*Would you recommend the expansion opportunity be pursued? If Yes, what minimal conditions should CanPlast have in place before proceeding. If No, what are the two principal reasons for not going ahead.*

The Vice-President lead off the discussion by pointing out the costs of operating in Indonesia would be substantially cheaper than in Canada. She also identified the issues relating to the machinery in the Drummondville plant but told the group about the potential to add a grandfather clause to the new environmental regulations. She also identified the waste removal issues, which would face Canplast in Indonesia.

The Human Resources director said she had spent a lot of time drafting the code of conduct and was disappointed that it never comes to fruition. She said she was proud of the labour relations record of the company and would like to maintain that reputation. She pointed out that the relocation to Indonesia could potentially violate a lot of the code of ethics. The director also pointed out that although unionization of workers may be difficult in Indonesia the local laws do not forbid unions and so a union environment would still be possible. She commented that companies who downsize do not always increase profits.

The Chief Financial Officer recognized that this proposal was a significant opportunity especially in light of the discontent of the shareholders. He pointed out that the code of ethics is not real and the company does not operate by this code. He stated that Canplast does not have to follow the other companies in its industry and that it may be time to rewrite the rules and make decisions that march to the beat of a different drummer. However he did recognize that a stronger return on investment is essential.

The Compliance Officer started by saying that we can assume that there are economic benefits to the relocation proposal. He stated that if Canplast is going to invest in Indonesia, it must be done properly and if it can't afford to do it properly, then don't do it. He said there was mounting evidence that the government in Indonesia is about to change. Specifically he said Canplast must not pay bribes, ensure any facilitation payments are appropriate and provide a high level of transparency. Although Canplast should meet Canadian environmental standards throughout its operations, the code may be unrealistic in other areas. Canplast could not do business in the same way as it does in Canada.

The Marketing Director started by saying that the customers were probably not overly concerned with where the manufacturing took place. Canplast has to look at options such as employee needs. The company also has to make decisions that will be long term and will last more than two years. Currently Canplast's reputation is being damaged by the use of outdated equipment.

She said Canplast should look at other options which would not require a move outside of Canada and that the code of ethics should be put on the front burner and reviewed for implementation.

The proposed Local Manager said that there was a certain amount of conflict in the community with regards to the potential plant development. Local people are happy to find employment however past experiences with multi-national corporations has not been good. She said that this type of operation had damaged the community in the past and local people would want to know that benefits would accrue to them apart from employment opportunities. She said that they would want to see health centres, environmental commitments and be assured that there would be no corrupt practices. She also mentioned that in today's technological society, local people would be aware of the comparative salaries of North American workers.

In summary the management team decided not to pursue this relocation opportunity. The group decided to review the overall strategy of the company and the cultural fit of the organization. This is to be done on an emergency basis to be completed in a thirty-day time frame. Management will redefine the direction of the company with the goal of being a leader in the sector. Canplast should not "buy into everyone else's game". After the strategic direction has been developed the company will then review worldwide opportunities including other potential Canadian expansion scenarios.

For any international operation the company must have a code of conduct which adheres to international standards. The company could also implement one of the existing international codes already in practice.

*Was this scenario realistic? Could this meeting ever take place? Why or why not?*

The group thought the case study was quite realistic but thought that the Local Manager would probably not be at the table in a real life scenario.

#### Group 5 / CEO – Larry Hebb

- We were aware that our company was experiencing hard times and was in trouble.
- We would be comfortable phasing out the Drummondville branch and transferring operations to Indonesia if the job termination was done slowly using entropy, transfers etc especially since the new machinery would be so costly.
- We did not want to do anything in Indonesia which did not comply with Canadian standards.
- We were not prepared to bribe local officials. Therefore we realized that expansion would surely take longer than anticipated and we required further studies to determine the feasibility of this.
- We were concerned about the suppliers of the Indonesian companies, but realized that we could not police them.
- We had in hand the ethical principles but no mechanism to apply it to the roles of our employees.
- Despite our awareness of the above, we decided to approve moving to Indonesia on the condition that the code of ethics be endorsed and guide our expansion. We saw the move to Indonesia as beneficial because it would lead to an increase in overall number of employees and our standards would be higher than local requirements. This decision to move would allow us greater possibility of improving our stock price and surviving as a company.