

# Good example of ethical dilemma case study

[Business](#), [Company](#)



## **Business: The case of plant relocation**

TO:

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### **Introduction**

ElectroCorp, the leading name in Automobile computer board making, has contacted our firm The Smith Consultants to propose recommendations on the plant relocation of Electrocorp. The company is going through tough situations, for which it needs a detailed research-based analysis. The issues are heavy production costs involved, the higher wages of the region that have now increased up to \$15/hour and the environmental issues and its related costs. All these issues are affecting the profits of the organization that is bothering the stakeholders and the shareholders. ElectroCorp intends to shift its production facility to an offshore country as many of its competitors have done so, and have reduced their cost to a significant level. As promising as it seems, there are other issues involved as well, such as the layoffs of company's employees due the shifting of production plant to another country and the legal, social, environmental and business structure of the transferred country. The report is submitted to the higher authorities of ElectroCorp, which addresses the above-mentioned issues.

In United States

The first ethical dilemma that arises due to the decision is the layoff of hundreds of company employees. It is not easy to find new jobs in a tough economical condition, and the company administration is fully aware of the

fact. However, it has no possible solution as continuing within United States incurs heavy costs and moving out will lead to heavy unemployment.

## **In Mexico**

The wage rate Dilemma, where the workers are paid at \$3/hour. This is insufficient for the works to make a living out of it. If the company keeps working with the same rate, it will not be providing enough money to its workers to survive. (Blasco & Zolner, 2008)

The Environmental dilemma, where the company could dump its toxic waste with less costly measures and by skipping a few important steps. The result is the birth defect which is increasing in Mexican border cities due to such toxic dumping. It incurs cost, if the company goes through the standard procedure.

## **In Philippines**

The wage rate Dilemma, where the employees are paid at \$1/hour. The child labor Dilemma, where the workers under age of 16 are hired to work. The first Dilemma has the effect of, workers are not receiving enough money to survive their living. The hiring of underage workers to work in a dangerous environment is not only unethical, but criminal and illegal as well. Child labor is considered as a great human right violation by many international organizations. (Willis, 2012)

## **Ethical Issues**

-Wage Rate Dilemma in Mexico has two issues related to it. The workers are provided a wage, at which they are not able to support their self and their families. They work hard, and in dangerous environments, still the

compensation they receive is too less to provide for necessities of life. The dangerous conditions in which they perform their duties, is a serious threat to their health and lives.

- The environmental dilemma has two issues. The health hazards to the existing residents and the health hazards to the future generation. Unsafe toxic waste in the border cities has already started to affect the living beings, and their health is in great threat. Not only this, but the future generations are also getting affected, as the birth defects are increasing in number due to toxic dumping.

-In Philippines, the wage rate dilemma is same as discussed and explained in the case of Mexican Wage rate dilemma, but the Philippines has another great dilemma that is child labor. The ethical issues related to this dilemma are severe. In the majority of the countries child labor is a crime, and it is the legal responsibility of the state to make sure that child labor is not prevailing in its society. Child labor not only causes the children to involve in tough and difficult circumstances above their strength and will but also put great threat to their education, health and well being.

## **Alternatives**

United States, Layoffs dilemma, there is no possible solution. The company's profits are declining and moving out is the only option available. Company will have to take the hard step and lay off its workers.

The wage rate dilemma could be solved by doubling the wages. This way their wages will become \$6/hour. This will not put burden on company's financials as the wage rate is \$9 less than United States and \$4 less than the South Africa. The environmental dilemma can be addressed by incurring the

cost that is necessary to make sure that the company's toxic is not affecting health of the general public and its offspring. Although it might seem a tough decision, but it must be borne that cost involved would still be lower as rather than following the standards, the most urgent steps to safeguard the health and lives would be taken.

The wage rate dilemma could easily be solved, by tripling the wage rate. The company is paying \$15/hour in United States. Even if it triples the wage rate in Philippines, it would still be \$3/hour, which is \$12 less than United States, \$7 less than South Africa and equivalent to the Mexican wage rate. The company's workers will also not complain regarding their wages as now they would be getting three times of what they were previously receiving. The child labor issue could be resolved by making a policy, not to hire workers under age. (OFRENEO, 2008)

## **Recommendation**

I recommend an alternative for Philippines as this will provide benefits to both the company and its workers. The alternative will solve the ethical dilemma of wage rate that is three times higher, raising the standard of living of ElectroCorps workers. The policy devised not to hire underage workers will end the exploitation of children from Company's side. The relevant stakeholders that are the management and workers would both be benefited by higher profits and higher wages. The recommendation is feasible as an alternative is still cost effective than the other alternatives of continuing operations in United States, Mexico or South Africa. The recommendation will be implemented by means of official policy regarding

wage rate and child labor. The Utilitarian and care theory has been kept in mind before making a recommendation.

### **Future implications of recommendation**

The company will earn a good name at both United States and in Philippines for worker's policy, specifically when such policies are not practiced in Philippines. A large number of workers would also lure towards ElectroCorp, and it can choose the most competent of them.

Another business might be forced to practice the same standards if there emerges a reaction from public's side. Other industries might not influence due to this recommendation but to earn a good reputation the individual company is of the industry might adopt the same policy.

### **Conclusion**

ElectroCorp's declining profits are a major concern for its stakeholders. Our consultant firm provided the following recommendations to its Board of directors.

ElectroCorp should transfer its plant to Philippines. This is a country with less environmental regulation and lower wages where underage workers also work at lowest rates. The environmental concerns are not one of the major issues for Philippines; hence the company could save considerable cost by relaxing the standard procedures. It is although recommended that the most urgent procedures to save the public from health hazards must be taken. This will be highly cost effective than United States and South Africa. On terms of labor, it is suggested to triple the wage rate as this would be highly beneficial to both the workers and organizations. Even after tripling the

standard rate wage rate at the region, the company would be saving its cost by more than 60 percent. The turnaround of workers would be lowest and company would be able to lure and hire the most competent of those workers. The company would earn a good and reputable name at both home and abroad.

## **References**

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