

Final take home assignment



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BUSTER**

Dismantled operates several facilities for sorting and processing solid waste (some of which, such as fluorescent tubes and electronic devices, containing potential hazardous components). Its newer facilities are state-of-the-art: high-tech, largely automated, and very safe for both workers and the environment. These new facilities employ a small, mostly young and highly skilled work force. They are very profitable. The older facilities are approaching the end of their functional lifespan, and the company will need to replace their capacity. Many of the workers at the older facilities are themselves older and are approaching retirement.

One of the older facilities, though complying with the relevant industry and regulatory standards of the day, has turned out to have contaminated its site with certain toxic substances. The Ministry of the Environment has issued a clean-up order for the site and technical consultants have informed management that the required remediation will take several years and will be costly. Further, several former and current workers at the facility have been diagnosed with a form of cancer that is associated with exposure to the toxic substances that had been released there, and are demanding compensation.

News stories about the contamination have tarnished Distillate's green image. Distillate's stock is currently trading at 530 per share (down from \$40 last year and expected to continue a downward slide). Gentile recently, one of the largest shareholders was Halo Ethical Fund, though the board is worried that Halo may be thinking of divesting in light the of the environmental troubles at the old facility, and the poor performance Of the

stock). Recently, about 25% of the stock has been quietly bought up by EGGS Financial, an New York private equity firm. Gig's CEO, Greedier S.

Goode, has proposed that the board of Dismantled adopt one of two options. Option A. Dismantled would be restructured as follows. The company would be split into two. A new corporation, Newsweek, would own and operate the newer, greener, more profitable facilities. It would employ the workers at the new facilities and be liable for their benefits and pensions. Dismantled would continue to own and operate the older, obsolete, less profitable facilities, and would be responsible for the benefits, pensions and other compensation owed the workers in those old facilities, as well as the clean-up costs for the contaminated site.

Each current stockholder of Thickened would be issued one share of Newsweek for each share of Dismantled that they own. (So, for example, an owner of 100 shares of Dismantled would end up with 100 shares of Thickened and 100 shares of Newsweek after restructuring.) Since Newsweek would acquire the most valuable assets of Dismantled and few of its liabilities, it would be expected to trade around \$50 per share. Since Dismantled would retain assets of dwindling value and most of the company's liabilities it would likely face eventual bankruptcy, so its shares would have little market value.

However, since owners of Thickened stock would now also be owners of an equal amount of Newsweek stock, they would come out ahead financially. Option B. The company would not be restructured. It would more than make up for the capacity shortfall due to old facility closures by entering into an

arrangement with Freedom Coast Ventures, which proposes to open a facility in Liberia for disassembling and extracting valuable materials from electronic waste.

The Freedom Coast proposal would use relatively labor-intensive, low-tech methods which would expose the workers and other community members to toxic hazards that will increase risks of cancer and neurological impairment. The proposal will be profitable because labor costs will be so low. Workers would be paid the equivalent of \$6 per day (more than double the average wage in the area where the facility will be located). The area presently has high mortality and illness rates due to endemic waterborne infectious diseases, and, more recently, BOLA outbreaks.

Controlling BOLA outbreaks was difficult in this community because of a shortage of basic medical equipment, clean water, and sanitation facilities. Dismantled and Freedom Coast pledge to provide clean drinking water infrastructure and a well-equipped medical clinic for the town. They estimate that these health and infrastructure facilities will prevent more illness and death than the toxic recycling facility will cause. The union representing the employees has objected strenuously to both Gig's proposals, and has countered with Option C. Option C.

The company would take advantage of currently low interest rates and government incentive programs to finance expanding and increasing the capacity of the new facilities. In the short term this would increase debt obligations without (immediately) increasing revenues, so in return the union would offer modest wage concessions in the next round of collective

bargaining. Option C is likely to reverse the decline in Duskiness's stock price but not yield large gains. The company would continue to meet its pension, environmental remediation and other obligations.

EGGS issued an ultimatum to the Dismantled board of directors. If the Board does not adopt either of Options A or B, Goode will seek to have the directors replaced by his own nominees at the next Annual General Meeting of shareholders. In the alternative, he might seek to acquire a controlling interest in the company, take it private, and impose option A. Halo Fund, the other major institutional investor, has not made its position known. It is rumored to be leaning to Option C, but some analysts suspect it might actually be happy with Option A.

If Option A goes ahead, Halo would dump its Thickened shares and keep Newsweek, since Newsweek would both boost Halo's returns and pass its sustainability and social responsibility screens with flying colors. You have been retained by the Board of Thickened as a business ethics and CARS consultant. You have been hired to advise the firm, from an impartial ethical perspective, on how it should respond to the situation set out above. You are to prepare a report to the Board, which will also be circulated to the shareholders in advance of the GM. Striations: Your task as a CARS consultant is to advise the board on what is the most ethical and socially responsible course of action, and to explain, on the basis of ethical criteria, why your recommended course is superior to the alternatives. Omit from your report any discussion that does not further your task. Keep in mind, however, that in order to show the ethical superiority of our preferred option you must address the arguments for, and merits of, the other alternatives. In <https://assignbuster.com/final-take-home-assignment/>

answering that question, you must provide a stakeholder analysis and an ethical assessment.

The stakeholder analysis will identify, characterize and classify the relevant stakeholder groups. Relevant stakeholders here are those to whom it makes a difference which of the options is chosen. Make sure to include all and only relevant stakeholder groups. Stakeholder groups are distinguished in terms of their interests and relation to the firm and the issue. Make sure you break stakeholders down into fine enough groups (i.e., specific rather than generic groups). Identify the stakes of each group. How will each group be affected depending on which option is accepted?

How, in turn, might each group react depending on which option is accepted? What opportunities or challenges might these reactions present for the company and the other stakeholders? The ethical assessment should clearly indicate which option should be adopted. It should support that recommendation with reference to the ethical theories, moral standards and principles, and normative CARS approaches discussed in the course, and with reference to the stakeholder analysis you have conducted. Your analysis should be addressed to the company management but your explanation should be persuasive to an impartial observer.

That is, your recommendation must be ethically defensible, not merely strategic. So, for example, if you defend an option from a stockholder theory perspective, that approach must itself be defined and defended morally, and not just assumed or identified with stockholder or management interests. Be selective about the standards, theories and principles you are invoking, and

connect them in a detailed way to the facts. It is better to explore a few ideas in depth than to refer superficially to many. Keep in mind that your interpretation is contestable and should be defended.

The ethical assessment is the most important part of the assignment and will have the greatest bearing on your grade. The stakeholder analysis is preparatory, but you will not be able to do a good job on the ethical assessment unless you have done a good stakeholder analysis. Your answer will not be evaluated on the basis of which option you recommend, but rather on your grasp of the facts, your command of concepts, theories and principles discussed in the course, the cogency of your reasoning, and the clarity and precision with which you express yourself.

You should strive to persuade the reader using reasoned argument. Consider your reader to be open minded, critical, and well-meaning. You should, therefore, avoid both cynical, amoral advice and preachy, emotive normalizing language. Remember that as an “ethics consultant” you are acting as a professional and are expected to write accordingly. Choose words and construct sentences with care. Careless, awkward, ungrammatical sentences or frequent spelling errors and typos create an unprofessional impression and will affect your read accordingly.

You may make (sparing) use of point form or tables where appropriate to the content, but these devices are not a substitute for explanation and argument in well-crafted sentences and well-organized paragraphs. You may make reference to any course materials, frameworks or cases discussed throughout the course. If you are specifically referring to any textbook

material, then simply indicate “ Textbook, p. X”. You are to do this assignment on your own, without collaborating with other students. Length: The assignment may be no more than 1, 800 words. It may, of course, be less.