

Decision of ameritrade toys to move production to chins

Business



Ameritrade Toys Outsourcing – Case Study

1. Before answering the question, it is essential to define ethical behaviour.

According to Immanuel Kant's theory of ethics an act is considered to be morally right if it is acted out of duty. And more importantly Kant argues that it is the motive behind an action that makes it morally right or wrong and not consequences of the action. Going by this definition, it was ethical of AmeriTrade Toys to move production to chins. The primary duty or responsibility of an organization is to maximise the profits for its shareholders and doing within the legal boundaries. Therefore, the decision to outsource was ethically right as it would maximise the profits and more importantly avoid it from going bankrupt to the gloomy economic situation in America. Hence, this was a decision acted out of duty and is ethical. Another factor to consider here is that if it had not moved to its production the company would have suffered losses and as a result would have been forced to cut down the workforce. Therefore, either way jobs would have been lost. The economic benefits of the decision are that it would make AmeriTrade Toys profitable and allow it to make products available at a lower cost to the customer. Also it would create economic opportunities in China by creating jobs. But this would come at the cost unemployment at Middletown negatively affecting its economy. The social costs of the decision are that the Middletown community would be destroyed and at the same would promote poor treatment and standard of life for Chinese workers.

An alternative to outsourcing was to reduce the wages of the employees at Middletown explaining them the economical situation and the need to cut down on wages. This would have helped the gain the trust of the employees

and the community. Also AmeriTrade could have adopted other cost cutting measures wherever possible.

2. No, it is not ethical for AmeriTrade Toys to continue using Wen Wai as a manufacturer until and unless improvements are made to the working conditions. It is the company's duty to ensure proper working conditions for the labours. AmeriTrade Toys is responsible for all its stakeholders and it cannot ignore the conditions of workers just because it is outsourced. Therefore, AmeriTrade has to work towards improving the conditions of the workers or discontinue using Wen Wai as a manufacturer as it would be unethical.

3. Yes, it is possible that AmeriTrade had no knowledge of the working conditions as Wen Wai had ensured them and shown labor statistics that indicated that the company was complying with all local labor regulations. As an independent auditor had done the audit, AmeriTrade had no reason to question the credibility of the report. But this does not mean that AmeriTrade can justify its actions. It had to take personal responsibility and visited the Wen Wai plant to verify if all rules and regulations are followed.

4. In order to ensure that the company is not profiled as an enterprise that benefits from sweatshop labor, AmeriTrade Toys must take specific steps and be more careful in the future. It must include specific labor condition into the contract so that the other party has contractual obligations to maintain basic working conditions. And it be strict in ensuring that the contractual obligations are not violated. It must also engage in active monitoring of the manufacturing companies.