

## Making Ethical and Socially Responsible Decisions in the Context of Globalization\*

*\*(This is a hypothetical scenario using fictional companies in fictional locations)*

By

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### **Introduction:**

You recently graduated with an MBA from a reputable university and have been hired as a regional director (assigned to the southern region) for a relatively large corporation (Mega Food, Inc.). Mega Food manufactures a variety of food products that are currently distributed and sold only in the United States. The corporation employs over 5,000 individuals in 20 facilities located throughout the United States. Most of these facilities were privately owned by the founder or members of the founders' families and managed locally prior to being acquired by Mega Food. Overall, Mega Food, which is a publicly traded company, has had a relatively stable track record of profitability that is 5% below the industry average (Total revenues for the last five years have averaged \$250 million). In the last three (3) years, shareholders have intensified pressures for Mega Food to increase overall profitability to meet or exceed the industry average.

As regional director for the southern region, you have direct responsibility for the overseeing the performance of five (5) facilities. One of the facilities in your region specializes in manufacturing a variety of chocolate candies that are shipped to numerous wholesalers throughout the United States. The facility is located in Orchard, Georgia, a small, rural community with a population of 5,000. The facility employs 125 individuals in a variety of positions and typically generates a modest profit of \$100,000 annually for Mega Food. The Senior Vice President for your division has asked you to evaluate the Orchard facility and make a formal recommendation regarding whether or not the operations performed by this facility should remain in Orchard or if the Orchard facility should be closed and the operations transferred to the country of Frostburg.

### **Additional Details Regarding the Orchard Facility:**

A. The breakdown of employees, by category, who work for the Orchard facility are as follows:

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| 100 Assembly line workers (Average wage \$12.00 per hour)  |
| 10 Assembly line supervisors (Average wage of \$20.00 per hour)  |
| 10 Sales associates who interact with wholesalers who purchase from the facility (Average wage of \$25 per hour) |
| 4 Quality control supervisors (Average wage \$18.00 per hour)  |
| 1 Plant manager (Annual salary of \$75,000)  |

- B. Average tenure with the company is over 10 years, but several of the employees have worked for the company over 20 years and are nearing retirement.
- C. The Orchard facility is the largest single employer within a 100 mile radius of the town of Orchard and the only large employer remaining in the area.
- D. In addition to employing 125 individuals in the Orchard facility, several of the raw products and materials (such as milk and flour) are purchased from local farmers operating within a 50 mile radius of the facility.

***Additional Details Regarding the Country of Frostburg:***

- A. The country is still developing in terms of infrastructure, but has made considerable progress recently in attracting companies looking for access to cheaper labor and access to less expensive raw materials.
- B. Average labor costs for individuals with a skill set required to be an assembly line worker are approximately \$2 per hour.
- C. Costs for physical facilities and equipment are lower in Frostburg than the US.
- D. Labor laws and regulations related to human resource management are not well developed in Frostburg. Consequently, employees in Frostburg have far fewer protections than US workers, including safeguards that are related to the safety and health of workers.
- E. Environmental laws are less formal in Frostburg. Consequently, products such as milk, flour and other ingredients that are used to manufacture the chocolate do not undergo regular inspections. Further, the types of chemicals and pesticides used on food products grown in Frostburg are not readily apparent.

***Summary of Your Analysis:***

After careful analysis, you have determined that Mega Food could conservatively generate an additional profit of \$250,000 annually (within 3 to 5 years) by relocating the operations of the Orchard facility to Frostburg. Further, you have determined that there is the potential to increase this level of profitability significantly within a period of 5 to 10 years after relocating to Frostburg. These additional gains would result from improved skill levels of workers related to ongoing training, improved infrastructure, and process improvements.