

## International Business Ethics Case Studies: A Student-Faculty Collaboration

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# CONTINENTAL SHIFT: WHAT KIND OF LEADER IS SAM?

MARIE-ANNE ROCHE, PRISCILLA RUMBEIHA, AND AILSA XING \* \*\*

It is January 2 at 1:00AM in the city of Detroit, Michigan. The only source of light in the kitchen is radiating from a computer screen. Sam Byman, brows furrowed and shoulders hunched, sits at the kitchen counter, poring over the company's dismal financial statements. Sam is the founder and CEO of BYM, a boutique textile and craft rug company located in Detroit. Late nights are routine for Sam, ever since the 2008 financial crisis hit the nation—and especially Detroit—hard. Since its inception in January 2000, BYM has based its main offices and factory production in Detroit, with storefronts across the United States and an online retail store. The company required a huge personal, emotional, and financial investment. Starting a business had always been Sam Byman's dream; watching it grow filled Sam with pride.

Today, sales have slowed and profits have turned into losses. Despite recent economic growth, BYM struggles to stay afloat. With dwindling cash reserves and rising costs of production in the U.S., Sam fears impending bankruptcy.

Unwilling to dissolve the business and dismiss all the employees, some of whom have worked for Sam since the beginning, Sam is considering possible next steps. As far as Sam can tell, the only options are to declare bankruptcy or to outsource production overseas to any location where costs are cheaper. A few weeks of Internet research yielded potential sites in Peru, Uganda, Cambodia, and India. Tentatively, Sam believes that Uganda is the most feasible. Sam's mother has just returned from a six-month stint of volunteer service in Entebbe. Moving to Uganda could work, because Sam's mother has a small but well-connected network there. Sam's mother volunteered with a halfway house in Entebbe where she worked with victims of domestic violence, a burden afflicting 43% of Ugandan women. (1) Entebbe, a large city located on Lake Victoria, has the infrastructural and economic ability to support manufacturing companies like BYM. Entebbe, home to Uganda's major airport and a sizable working-age population, offers plentiful opportunities for business growth for textile manufacturing.



## UGANDA'S ENVIRONMENT

Sam's research suggests Uganda is a resource-rich country, in a politically fraught environment. Uganda has the water and agricultural conditions for growing cotton—one of the primary resources that Sam needs to manufacture artisanal textiles and craft rugs. Most of the cotton is harvested by hand-picking. Uganda's agricultural sector requires intensive labor; this is not the country for large-scale mechanized or industrial scale farming.

Sam's mother talked about one woman in particular, with whom she had worked closely. Mary Latigo is a 25-year-old single mother in Uganda. Mary attended her local primary school but dropped out by age 14. (2) This is the reality of education in Uganda: while almost all girls attend primary school, less than 1 out of 5 girls will continue with secondary education. (3) Biases against the education of girls are entrenched in cultural and economic norms; (4) parents often believe security for their daughters cannot be guaranteed by education, but only through early marriage. (5) Mary's parents arranged a traditional betrothal and subsequent marriage when Mary was 17 (6) to a man who became abusive. (7)

2. As of 2009, the completion rate for girls in Uganda was 48%. [http://www.unicef.org/evaluation/files/UNGEI\\_Uganda\\_Final\\_Report.pdf](http://www.unicef.org/evaluation/files/UNGEI_Uganda_Final_Report.pdf)

3. [http://www.unicef.org/infobycountry/uganda\\_statistics.html](http://www.unicef.org/infobycountry/uganda_statistics.html)

4. "The National Development Plan observes that discrimination against women in Uganda results from traditional rules and practices that explicitly exclude women or give preference to men, which serves as a key constraint on women's empowerment and economic progress." National Development Plan 2010/11-2014/15 (Republic of Uganda, 2010)

5. In Uganda, nearly 1 out of every 2 girls is married before the age of 18 (Girlsnotbrides.org).

6. Among women age 20-49, 15 percent were married by age 15, and 49 percent were married by age 18. (2011 UDHS)

This is not unusual--like many Ugandan women, Mary accepted the beatings for years. (8) It was only after she realized that she could not protect her own children from her husband's angry violence that she finally decide to leave. Mary never received justice for her husband's abuse under Uganda's legal system. (9) Now she lives on her own and struggles to provide for herself and her three young children in a patriarchal and predominantly tribal society.

By relocating to Entebbe, Sam could hire workers like Mary—relatively young, unskilled laborers who would be willing to work long hours for low wages. (10) Running low on funds and out of options, women like Mary may be willing to take regular paying manufacturing jobs in order to provide much-needed economic stability.

Sam thinks relocating production to Uganda may be a viable alternative. Yet Sam is reluctant to abandon Detroit. Over 100 loyal employees would lose their jobs at BYM, whether or not Sam chooses to keep headquarters in Michigan. By moving production overseas Sam would lose all the financial subsidies and tax incentives that Detroit has offered to develop local businesses. (11) If production is moved to Uganda, a temporary personal relocation to Entebbe is inevitable. Sam is reluctant to leave behind immediate family and friends. Sam cannot predict the reactions of BYM's private investors to a decision to move overseas. Additional loss of funding is the last thing BYM needs. New facilities in Entebbe would require additional funding. Finally, moving production overseas could raise entirely new challenges for BYM's entire supply and transportation chain. But the research on Uganda leaves Sam cautiously optimistic. This could be the only way to keep the business alive and employ some hard working and deserving people.

The future of BYM is Sam's choice. Sam is torn between collapsing the business, which would trigger substantial financial losses and displace employees, or moving production overseas. By moving production to Uganda and tapping into a large pool of women for manual labor, Sam will have new choices to make when it comes to employment practices and worker compensation. Sam has to decide which goals take priority.

<https://dhsprogram.com/pubs/pdf/FR264/FR264.pdf>

7. Domestic abuse is pervasive in Ugandan society: 43 percent of ever-married women report experiencing physical violence committed by their current or most recent husband or partner. (2011 UDHS)

8. A staggering 70% of Ugandan women justify physical abuse they receive from their husbands (e.g., leaving the house without permission, burning dinner). <http://www.un.org/esa/socdev/ageing/documents/egm/NeglectAbuseandViolenceofOlderWomen/Violence%20against%20women.pdf>

9. Some women in Entebbe are fined by police in order for them to arrest their husbands on domestic abuse charges.

<https://www.hrw.org/reports/2003/uganda0803/6.htm>

10. [http://www.ilo.org/wcmsp5/groups/public/-dgreports/-dcomm/documents/publication/wcms\\_212423.pdf](http://www.ilo.org/wcmsp5/groups/public/-dgreports/-dcomm/documents/publication/wcms_212423.pdf)

11. <http://www.detroitmi.gov/How-Do-I/Obtain-Grant-Information/Business-Tax-Incentives>





# INITIAL REFLECTIONS

What are the decisions Sam might make? Which choices are the most ethically viable and which are the most financially viable?

How do these choices challenge Sam's moral integrity?

Upon additional review of this case study, you may realize that we did not specify a gender for Sam. What were your perceptions of this particular CEO? Did you make any assumptions about gender?

What if we told you "Sam" was indeed Samantha? Would your interpretation of Sam's actions and future decisions be any different?

\* Case researched and prepared by Marie-Anne Roche, Priscilla Rumbeiha, and Ailsa Xing (Mendoza College of Business, University of Notre Dame, Class of 2018), under the direction of Joan Elise Dubinsky and Jessica McManus Warnell, Mendoza College of Business, Notre Dame. Case design by Monica Allgaier.

\*\* This case was published in the Journal of Business Ethics Education (Volume 13, 2016). The case, teaching notes, and a discussion of the pedagogical approach to this student-faculty collaboration is available at <http://www.neilsonjournals.com/JBEE/jbeev13.html>.

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Discussion notes for this case are available at the Journal of Business Ethics Education link provided above.