

International Business Ethics Case Studies: A Student-Faculty Collaboration

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THE PRINCESS-LING

SPENCER JONES AND MARY GUOHUI SHI* **

March 17, 2012 (Ying)

Ying Li walked buoyantly down the street toward her apartment. She had just completed her first week working as a risk management analyst for WJ Capital in Shanghai. She couldn't be happier. After spending four years in New York City studying business at Columbia University, Ying was now working at the bank of her dreams, in her hometown. As she walked in the door, Min, her father, greeted her. Min owned a chemical company, Li Chemicals, which had seen tremendous growth in the past three years. His new penthouse apartment was just one of the visible marks of her father's success. As Min's only child, Ying was used to privilege. Even now, at age 23, she lived with her father, enjoying the standard of living his success could provide.

April 14, 2012 (Jason)

It had not been a good day for Jason Brown, former banking rock star, and yesterday's news. A month ago, he was on track for a promotion to vice president at WJ Capital's Wall Street office. WJ Capital is one of the three largest players in the global financial sector. Jason had been the one to watch. Now, standing outside that iconic building, Jason saw someone else move into the corner suite. His deal with American Entertainment had fallen through. WJ Capital had lost millions. Jason knew that it wasn't entirely his fault. As leader of the team working on the deal, he took the full brunt of the blame.

Soon, Jason would transfer to WJ Capital's Shanghai office for another stint managing a group of dealmakers. But this was not at his own request. He realized that the Shanghai office was small and intimate; everybody would know everyone else's position and their connections in the local business community. Ever the optimist, Jason bet it would take only one big deal to turn his fortunes around.



IPO - YES OR NO

October 10, 2012 (Jason)

Jason was already a few hours into his work day when he got the first call from his good friend, Bruce, who directed WJ Capital's risk management office in Shanghai. The threat of the Chinese government moratorium on the IPO market had become the new reality. Usually, Jason dismissed Bruce's concerns as the worries of an 80 year old trapped in a 35-year-old body. But this time, Bruce had nailed it. News stations exploded as the Chinese government disallowed the launch of any new stocks until further notice. Jason had just opened the file on a company called Li Chemicals. He may have been transferred to Shanghai, but at least the Chinese market was hot. Competition for investments was fierce, and he was certain that if he could just complete one big deal he would be back on top. He kicked back in his chair sighing, and put the file aside. He would have to wait until the government reopened the IPO market before he would know if this company was the one.

December 30, 2013 (Min)

Min walked with pride into the WJ Capital office where his daughter worked. Min knew that WJ Capital was one of the top investment banks in the world. Min took pride in his ability to read the political and financial landscape of China. After fifteen years of patient work, Min was ready to take Li Chemicals public. He was eternally grateful for the opportunity his government had offered to privatize part of China's natural mineral wealth. With the tacit support of Party officials, Min had seen doors open before him. Min had always cultivated cordial working relationships with government officials, who could simultaneously encourage Li Chemicals and erect barriers to foreign competition. The State held a modest 19% stake in Li Chemical (24).

With a party official serving on his company's board of directors, Min was led to believe that the ban on IPOs would not last much longer. Soon, the government would be ready to lift the ban. This was Min's first opportunity to decide whether he wanted WJ Capital to assist Li Chemicals in its IPO. Min's underlings had attended all previous conversations with the investment bankers. Min rode the elevator to the twenty-third floor, where he had expected Jason Brown to meet him as soon as the elevator door opened. After a five minute wait, Min found an office labeled "J. Brown". Min walked into the office, and introduced himself. After an inauspicious beginning to the meeting, Min felt some optimism. Jason seemed to understand that the IPO, first and foremost, had to be of great benefit to China and Li Chemicals. They began to discuss the details of what Jason promised would be a "highly profitable IPO on all sides of the table". But underneath Jason's confidence, Min sensed that Jason could not afford for this IPO to fail. Jason was too eager, too solicitous, and too willing to speak without first thinking. After explaining that he planned on holding very few shares of Li Chemical stock, Min added, "My family's reward will be the good reputation of Li Chemical."

PRINCESS-LINGS & PRESSURES

January 23, 2014 (Jason)

Jason was giddy. The Government had just reopened the IPO market in Shanghai. It wouldn't be long before the Li Chemicals IPO would send him straight back to the top. WJ Capital's internal analysis predicted that this deal could be the most profitable IPO Shanghai had seen in the last decade. Jason was hell-bent on making sure this was true. With only weeks until the IPO launch, Jason prepared for that final grinding effort.



(24. Nicholas Lardy (2014): Markets over Mao: The Rise of the Private Sector (Washington D.C.: Petersen Institute for International Economics).



He knew that pressure from both sides would push the prices, and he wanted to make sure he opened Li Chemicals at the right price to ensure the launch was as successful as his experts had predicted. He would often ask Ying to deliver messages to her father. By asking her questions regarding Li Chemicals' business financials, he was eager to take advantage of her "insiders' perspective" on her father's business. She didn't seem to share his excitement, which he thought was odd. Even so, Jason was not about to let this ruin his good mood. Soon, he would be back in New York, polishing the name plate outside that executive suite on Wall Street.

January 24, 2014 (Bruce)

After another thirteen-hour work day, Bruce needed a drink. He walked the three blocks between the office and his favorite bar in an area popular with expats and visiting business people. After ordering and taking a seat, he heard a familiar voice. He did not believe his eyes. It was his good friend Megan, who he hadn't seen since grad school at the University of Pennsylvania.

They chatted for hours recapping their adventures after leaving Philadelphia. Megan told Bruce that she was now head of office at SwedeBank, another investment bank in Shanghai. "They hired me to replace a manager who just got the boot." Megan said. "Apparently he was involved in some kind of nepotism, hiring the son of a government official. You know, like a bribe. It was pretty messy. Talk about walking into a soap opera."

January 25, 2014 (Jason)

The next morning, Jason walked into his office, surprised to see Bruce there. "Jason, I'm worried. I talked to a friend last night, and found out that she just replaced a manager who was fired from SwedeBank for hiring a princeling (25). You know, we could be in similar hot water for employing Ying Li while you are working on her father's IPO." Jason couldn't believe it. He knew Bruce worried about everything, but even for him this seemed like a stretch.

Bruce went on, "I've done some research, and it looks like we're in a grey area as far as the FCPA (26) is concerned." He pulled out a file and read aloud, "It shall be unlawful for any issuer... or for any officer, director, employee, or agent of such issuer or any stockholder thereof acting on behalf of such issuer, to make use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay, or authorization of the payment of any money, or offer, gift, promise to give, or authorization of the giving of anything of value to... any foreign official for purposes of... assist[ing] such issuer in obtaining or retaining business for or with, or directing business to, any person.' I'm worried that hiring her could be seen as some kind of payment to her father, to keep his business."

Jason sat back and looked at Bruce. "Just for once, Bruce, could you stop working for the Office of No You Can't!" Jason understood what Bruce was saying, but he was certain that their situation was too ambiguous for a court to convict him of any wrongdoing. Ying had been with the company before he had even arrived. He did not want to ruin his big chance to go back to the top of the corporate ladder, and he certainly did not want the suspicion of anything even mildly unethical to thwart his plans.

25. The term "princeling" was coined in the first part of the 20th century, to describe the rise of leaders who were the sons of high-ranking Party officials or veteran revolutionaries. It continues to be used to describe privileged children of highly placed government or industry officials, who achieve unusually high-ranking positions at young ages.

26. The Foreign Corrupt Practices Act of 1977, as amended, 15 U.S.C. §§ 78dd-1, et seq. ("FCPA"), was enacted for the purpose of making it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business.



INITIAL REFLECTIONS

What are the key issues here?

What facts do you know and what do you wish you knew?

What are Jason's rights, duties, and responsibilities at this point?

How does this situation look to a neutral, objective observer?

How do you describe the ethical issues that this case presents?

* Case researched and prepared by Spencer Jones and Mary Guohui Shi (Mendoza College of Business, University of Notre Dame, Class of 2018), under the direction of Joan Elise Dubinsky and Jessica McManus Warnell, with additional consultation from Georges Enderle and Tim Loughran, 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.