



## Felipe's Initial Presentation Plan

### Opening (Issue)

#### Problem

- Potential bad publicity
- Loss of sales
- Legal liability
- Ethically compromised

#### Not Alone

- Not first company to face this
- Nike
  - Bad publicity
  - Boycotts
  - Lost sales
- Apple
  - Bad publicity
  - No harmful effects—yet
  - Others have survived, prospered

#### My Solution

- Marketing strengthened
- Liability removed
- Ethical problem solved
- Costs stay low

### Trouble in China

- Most of our Chinese factories provide good value and quality
- Have acceptable working conditions
- One exception

#### Story

##### My visit to Guangdong factory

- Young girls, 12 to 16 years old
- Rooms not air conditioned
- Factory temperatures often exceed 100 degrees
- Not allowed to look up for eight hours, no breaks, no magnifying glasses

- Some employees work around melted lead and lead paint
- Lead is toxic and workers have no protection against fumes
- Employees live next door in dormitories, no windows or running water

## **What Should We Do about It? (Conclusion)**

### *Decision Options*

- Take corrective action.
- Change vendors.
- Do nothing.

### *Conclusion*

- Improve conditions.
- Acknowledge being part of the problem.
- Do something positive for company and vendor workforce.

### *Criteria*

- Ethics
- Marketing
- Legal liability
- Cost

## **Why We Should Act (Argument)**

### *Ethics*

- Conditions violates our ethical values
- Factory uses child labor extensively
- Underage workers paid less, more docile than adults
- No effective protection against toxic vapors from lead
- Acknowledge that we are part of the problem

### *Marketing*

- Labor abuses all over the world are frequently exposed in the media
- Exposure leads to loss of customers, brand damage
- Nike, Apple: two contrasting case studies
- Do we want to make this bet with our reputation?

### *Legal Liability*

- Some of the conditions violate Chinese law
- Can never know when laws will be enforced
- Enforcement or law suits can bring bad publicity

### *Cost*

- Can't afford to be sentimental about costs

- Recently saved up to 30% of manufacturing costs
- Improvements inexpensive Slide: low cost of magnifying glasses
- Gradually work toward better situation

#### *Rebut Other Options*

- Change vendors: premature, too disruptive
- Do nothing: ethically wrong, too risky
  - Vulnerable to all the risks mentioned
  - Do we want to bet the company?

#### **What We Can Do (Action)**

##### Short term

- Negotiate immediate improvements
- Start to reduce child labor

##### Long term

- Set up code of conduct for vendors
- Begin regular auditing process
- Incorporate code into marketing

#### **Closing**

##### Benefits of Action

- Improved factory conditions for workers
- Avoidance of bad publicity
- Resolution of an ethical problem
- New angle for marketing

##### Call to Action