



Felipe's Presentation Handout

Presentation on the Guangdong Factory

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The Problem

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

We Are Not Alone

- Not first company to face this
- Others have survived, prospered: Nike, Apple

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: Guangdong factory

Problems at the Guangdong factory

- Young girls, 12 to 16 years old
- Factory temperatures often exceed 100 degrees
- Not allowed to look up for eight hours, no breaks, no magnifying glasses
- Some employees work around toxic lead, no protection against fumes

- Employees live next door in dormitories, no windows or running water

What Should We Do about It?

Decision Options

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

Recommendation

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

Why We Should Act

Ethics

- Conditions violates our ethical values
- Factory uses child labor extensively
- 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

Cost

- Can't afford to be sentimental about costs
- Recently saved up to 30% of manufacturing costs
- Improvements inexpensive
- Gradually work toward better situation

Why Not the Other Options?

- Change vendors: premature, too disruptive
- Do nothing: ethically wrong, too risky

What We Can Do

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

Benefits of Action

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

Note: See my 8 September 20xx memo on the factory for a detailed action plan.