

WEIGHING THE ETHICS OF OUTSOURCING: AN ORIGINAL SIMULATION

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ABSTRACT

I submit to the ABSEL March 2022 conference an original simulation, written in fall 2021. This new negotiation simulation, *Weighing the Ethics of Outsourcing*, focuses on issues relevant to undergraduate and graduate students. The simulation requires students to read the material, study relevant websites, periodicals, and newspaper articles cited within the work, and to understand the dilemmas of outsourcing faced by a fictitious company. No textbooks are needed or required.

Broad issues:

1. the practice of outsourcing,
2. the concept and practice of corporate social responsibility (CSR) and Ethical, Social, and Governance (ESG) principles,
3. the ethical questions that should be raised in 2021 by outsourcing to Mexico or China.

Learning Outcomes: While **Teams 2 and 3** explore and present in detail the pros and cons of outsourcing to Mexico and China, the decision-makers will be **Team 1**, the company officers. **Team 1** can make any decisions it wants to, as long as the rationale is fully explained and presented to the class.

- Students will read and synthesize information from their role packets and the websites they are required to access and study.
- Students will negotiate complex business, political, social, and ethical issues involved in outsourcing and corporate social responsibility.
- Students will summarize and present their findings and decisions to the Instructor, and the rest of the class. This should be done orally, although written deliverables can also be required.

Specific dilemma: The material involves a fictional, midsized company, JEQ Smart Dolls. Its factory has shut down due to the Covid-19 pandemic, and JEQ now has to decide whether or not to outsource its production to either Mexico or China. That decision will be based not just on the usual and customary criteria, like distance, operational and labor costs, cultural compatibility, and supply chain accessibility, but also an ethical question surrounding those specific countries. While outsourcing is a common and accepted practice in global business in 2021, the United States, Mexico, and China are experiencing serious political and social dilemmas as trading partners. Therefore, it is reasonable to ask

- Is it ethical to outsource to Mexico or China if a company wants to maintain its reputation as a CSR company?

Audience: Undergraduate or graduate students, from community colleges to graduate programs. The simulation would work in a variety of business courses, such as International Business, Economics, Operations Management, Business Ethics, Corporate Social Responsibility, Human Resources, Sustainable Business Strategy, Negotiation, Leading/Managing Teams, Outsourcing BPO, and many more.

Procedure: Running the simulation is flexible. It can be run in an in-person classroom or a virtual, Zoom classroom. The Instructor can use as few as six or seven participants, or as many as 50 or more. The time for the simulation can take up to three classes (assuming 50-minute class durations) or a single class of two-three hours.

Randomly assigned students will role play the following roles – **Team 1:** CEO, COO, and CFO, **Team 2:** two-four staff members tasked by C-suite officers to investigate pros and cons for Mexico, and **Team 3:** two-four staff members tasked with investigating the pros and cons of China.

Company narrative: JEQ Smart Dolls is a midsized, woman-owned business recognized for its policy of CSR. The company officers are three sisters, and JEQ stands for their three daughters—Jenny, Erin, and Quinn. JEQ has defined its mission as designing and creating dolls that represent young, studious, and American girls. No plastic is used in manufacturing the products; every part of a JEQ doll is made from recycled materials and 100 percent organic cotton, grown in the southern states of North Carolina, Georgia,

and Texas.

The dolls are not made to resemble stereotypes. The CEO, Valentina (Val) Cattani, insists that the dolls look like real girls, smart girls, athletic girls, and bookish girls. Some dolls wear glasses, some have physical disabilities.

All races are represented in these dolls. Since 2011, JEQ has created five different prototypes of dolls – Caucasian, Hispanic-American, African-American, Asian-American, and Muslim-American. The company feels deep pride that its products have struck a chord with toy stores and consumers for the last ten years.

JEQ was thriving in 2019. However, in early 2020, the SARS Covid-19 pandemic struck worldwide. The effects were deadly for many countries, including the United States, and disastrous for many companies.

JEQ suffered devastating consequences, too. Out of 200+ employees working in the facilities in northwestern North Carolina, mostly women, 64 workers developed the virus, and 21 older workers died. By May 2020, JEQ's manufacturing facilities shut down.

JEQ's financial reserves and government relief subsidies lasted less than 10 months. Orders from stores up and down the east coast and mid-west had continued to come in, but backorders remained unfulfilled. Inventory was gone by October 2020.

Now in 2021, most of JEQ's original employees -- mostly women between the ages of 42-59 with high school educations -- that meticulously pieced together the dolls with sewing machines and hand-sewing, remain fearful of returning to the factories. Less than half have been vaccinated against Covid-19. The company has tried unsuccessfully to convince workers to return, or to hire new workers.

The company now must seriously consider outsourcing its manufacturing to another country, or go out of business. No one in the C-Suite can accept the go-out-of-business option. Staff members have spent months searching for ways to continue making JEQ's products within the United States. However, it no longer seems possible. The company cannot hire enough workers to resume production again.

Across the United States, manufacturers of all sizes are having trouble rehiring workers, even though wages and benefits seem to be increasing. JEQ offered higher wages and increased benefits, but two-thirds of the original company workers refuse to return to work.

*The organization of the simulation: The simulation works with three teams —**Team 1:** three female company officers to study the role packets about outsourcing and corporate social responsibility; **Team 2:** two-four students (depending on the Instructor and class size) to study the role packets about the pros and cons of outsourcing to a maquiladora in Ciudad Juarez. **Team 3:** two-four students to study the role packets about the pros and cons of outsourcing their production to a location in China.*

While studying the information, all three teams will learn about

1. *the prevalence of outsourcing, especially to Mexico and China,*
2. *the fundamentals of what it means to be a CSR company,*
3. *the issues to be addressed in ethical outsourcing.*

In each of their role packets, students are referred to and required to study websites that describe the history of outsourcing as it applies to Mexico and China. In addition, students will understand CSR as a concrete business model for an increasing number of corporations, a model that has grown and become more popular in the last decade.

MATERIALS/SOURCES FOR STUDENTS

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