



2MC - Pollution vs. Profit

You are the CEO of a US-based company that specializes in producing high-tech products that are growing rapidly in the market. Your company is experiencing tremendous economic growth, and you received a substantial bonus last quarter as a result of the high profits. One day at work you are informed that rumors are spreading regarding pollution from one of your manufacturing plants. It produces the main components for many of your products and is located in Mexico.

You do some research and find out that no Mexican laws are being broken, but the pollution emitted is higher than suggested in the US and is causing health problems for factory workers and residents in the surrounding community. After talking to other executives, you realize that decreasing the amount of pollution will be very time consuming and costly. This will cause a large drop in profits for the next two periods and potentially your own bonus. What do you do?

Takeaways

- ✓ Protecting the health of your employees and other stakeholders should hold a much higher precedence over two quarters of financial losses for the business.
- ✓ You are obligated to follow US regulations, even when your company is not operating within the country and same regulatory code.
- ✓ A thorough analysis to find more information is always a great first step in complicated situations such as this.

Issues

- ✓ The company's profits will be negatively impacted
- ✓ This could directly impact your own compensation
- ✓ Factory workers and community members are suffering from health conditions
- ✓ The company's reputation in the US will be affected if this news spreads
- ✓ The technology market is growing and you could lose out with this setback

Rules and Regulations

- ✓ Company values for environmental sustainability
- ✓ Mexican pollution laws
- ✓ US industry laws governing pollution

Questions

- ✓ What can be done to decrease pollution? How much would it cost?
- ✓ What are the consequences of not taking any action?
- ✓ What are the health problems these people are encountering? Long-term? Life threatening?
- ✓ What pollution laws should the company follow? (US or Mexico)
- ✓ How will my actions affect the reputation of the industry?
- ✓ What are the benefits of reducing the pollution? Are there alternatives?
- ✓ Could we find another factory to use that is more environmentally friendly?

Available Resources

- ✓ Pollution specialists in both countries
- ✓ Research of other companies within the industry
- ✓ Friends and associates in the company
- ✓ Company code of social responsibility

Options

- ✓ Do nothing; large profits; hurt workers and the surrounding community
- ✓ Find a way to reduce the pollution that might decrease profits in the short-run but have substantial long-term benefits.