

Class Project – “Should I Stay or Should I Go?”**

INSTRUCTIONS: This assignment is designed to expose you to a real-world business decision that contains a serious ethical dilemma. You must think critically about the problem and reach an outcome that preserves the company’s profitability and reputation (and one that you can live with personally). In reaching that outcome, you should examine the facts and consider and apply the ethical concepts you have learned in class. You are free to use your textbook or notes and, of course, to collaborate with your teammates. You may not, however, collaborate with other teams. Please convert your answers to a **Word document** before sending it to me. This project is worth 15% of your final grade, and I will issue peer evaluations that I take **very** seriously (yes – grades often differ within a team based on these).

FACTS: Barbara is the CEO of CloudBarn, Inc. (“CloudBarn”), a large publicly-traded company that provides online data centers for Internet companies. To house all of the servers and other necessary equipment, these data centers are quite large and usually are located in rural areas where real estate is relatively cheap. They often are the main employer in the rural communities in which they are located. Sadly, an F-5 tornado just destroyed the entire CloudBarn data center near Holcomb, Mississippi, a small town with a population of about 5,000 people. Holcomb is about a two-hour drive from Memphis, Tennessee, which is the nearest major city. Given this situation, Barbara, as the CEO, must determine the best way forward from the current situation in Holcomb.

The good news is that CloudBarn had ample insurance on the plant, and the insurance payout will cover the full cost of rebuilding the facility. However, data centers are much more expensive to build and operate in the United States than in Africa, Asia or Latin America. CloudBarn could take the insurance proceeds and build two full data centers overseas. That decision (to move the plants overseas) would double revenues and, combined with the added cost savings, would result in a 40% increase in the price of CloudBarn’s stock. Barbara has asked Adam and Zoe, two top-level executives, to investigate the pros and cons of relocating versus rebuilding in Holcomb.

Adam says: “If we relocate overseas, our employees here in Holcomb won’t be able to find equivalent jobs. We pay \$20 per hour, and the other jobs in town are mostly minimum wage at the federal \$7.25 per hour rate. And remember how some of the folks worked right through Christmas last year to set up for that new client – that was huge for us! They have been loyal to us, and we owe them something in return. And the town of Holcomb will suffer enormously – we must consider the shop owners and townspeople that depend on us! And it’s not just bad for Holcomb or Mississippi – it’s bad for the entire country. We can’t continue to ship jobs overseas!”

Zoe responds: “That’s the government’s problem, not ours. We’ll pay to re-train the workers, which, frankly, is a generous offer. We owe them nothing under the law, and yet we are willing to spend our profits on retraining them! Moreover, with two facilities, we can provide twice what our plant in Holcomb can provide, and the cost savings will be enormous. Our investors currently get an average annual dividend of 2%; the industry average is closer to 4%. Moreover, we would pay international workers only \$2.00 per hour in either Africa, Asia or Latin America, which is double the average hourly wage in any of those locations – we literally will double their wages and increase their quality of life. Additionally, all of this will bring us right in line with the 4% dividends each of our competitors earns and will increase our stock price by about 40%. If we act like a charity to support Holcomb, we could all lose our jobs. We have no legal obligation to Holcomb, its townspeople or employees; but we do have an obligation to do what is in the best interest of our shareholders – which, in this case, happens to be what’s right for us, too!”

Barbara presents the competing approaches to Professor Jaegers, who is CloudBarn’s Chairman of the Board of Directors. Unhappy with the conflicting conclusions of Zoe and Adam, Professor Jaegers decides to hire an outside consulting team to assess the ethical dilemma in which the company now finds itself. Professor Jaegers hires your project team to be those consultants, and he wants to know what your position is – in other words, he wants to use your analysis and evaluation to guide him in making the tough decision. Thus, please prepare a written report (**3-4 double-spaced pages**) addressing the following two questions:

1. [75 points] From an ethical standpoint, should the company rebuild the plant in Holcomb or relocate overseas? In other words, what would be your conclusion to the Board of Directors, and why would you make that recommendation? In reaching your conclusion, you should consider the concepts we have discussed in class and weigh and balance those different concepts in reaching your conclusion.
2. [15 points] Assume that each of you consultants owns \$1,000,000 of CloudBarn’s stock. Do you have any ethical duties in this situation? If so, what are they, and how would you address/satisfy them (or, at least, how could you *attempt* to address/satisfy them)?
3. [10 points] **NOTE**: While the bulk of what you will be graded on in this assignment is substantive, I also expect it to be a professionally-written document. In other words, I expect it to be well written, concise and contain no grammatical mistakes. As such, 10% of your grade depends on this.