**Module 8: Stakeholder Focus: Employees**

**Core Module Issues:**

* **When, if ever, do the needs of employees outweigh the needs of the shareholders?**
* **Do “special circumstances” factor into the equation?**

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| **Module Teaching Notes**  This is the first of a few modules that looks at a specific type of stakeholder: employees. Our debate continues – should corporate leaders maximize the bottom line to the exclusion of other goals, or should leaders sometimes “take care” of employees, even if the company will make less money.  Employees are doubtless required for any successful operation. Without them, a company can't do anything at all. Are they worthy of some consideration beyond the minimum required to keep them on the job?  The scenario in this module was inspired by a real case, and I like to lecture on it in class. There is an excellent 60 Minutes piece on the Malden Mills fire from the late 90s that you may be able to acquire, if you want to show it in class).  In the Malden Mills case, a factory in Massachusetts burned to the ground, and the owner took the unusual steps described in the textbook. He rebuilt the plant in Massachusetts, and, most notably, *he paid his workers their full salaries while the factory was being rebuilt.* Millions in checks went out to workers, even though, for a time, there was no work to do.  The Malden Mills owner certainly put his workers above profits. But alas, the company was soon forced to seek chapter 11 bankruptcy protection. And so, he perhaps followed the stakeholder model too much.  It is a good idea at this point to present the shareholder and stakeholder models as “not right 100% of the time.” Students (and business leaders) will, as individuals, tend to prefer one over the other, but it would be a mistake, I think, to always follow one to the exclusion of the other.  Finding the proper balance between the two models is the trick.  The scenario is the second of nine overall that was made into a video clip. And so, to better spark debate, I'd suggest rolling it before starting the discussion.  Whether you show the clip or not, keep in mind that this is a “two-parter”. The first three questions go with the “should we do this” part of the scenario, and the last two questions assume that the CEO has decided to rebuild the plant in Miami. I presented to material this way so that students had to first come to a conclusion about rebuilding, but then would have to, regardless of how they decided in “part 1”, address the paying employees issue. |

**Discussion Points for Scenario Questions**

# Should Dawson push to rebuild the plant in Miami? Why or why not?

## YES – won't that be expensive? shouldn't he follow his competitors' lead?

## NO – ARE YOU HEARTLESS? WHAT ABOUT YOUR LOYAL WORKERS?

# If you were in Dawson's position, and if your organization was a private company that you owned yourself (as opposed to a corporation owned by shareholders), would you rebuild the plant in Miami or relocate to China?

# [IS THE ANSWER THE SAME AS QUESTION 1, OR DIFFERENT? IF DIFFERENT, WHY?]

# To what degree do you agree with Carol's idea that it is the government's job to create and protect American jobs, and that it is a CEO's job to create wealth for shareholders?

**Strongly disagree 🡨----------------------------------------🡪 Strongly agree**

1 ----- 2 ----- 3 ----- 4 ----- 5 ----- 6 ----- 7

## DISAGREE – WHICH PART OF THE STATEMENT (OR IS IT BOTH) DO YOu DISAGREE WITH?

## AGREE – HAS THE GOVERNMENT DONE A GOOD JOB WITH JOBS?

# Should Dawson Computers' factory employees be paid during the several months of rebuilding? Would it be any more or less justifiable to pay only a handful of high-level difficult-to-replace workers?

## pAY ALL WORKERS – WHY? ISN'T THIS AWFULLY EXPENSIVE?

## PAY ONLY HARD TO REPLACE WORKERS – ISN'T THIS COLDHEARTED?

## PAY NO WORKERS. WON'T IT BE HARD TO RESUME OPERATIONS?

# Imagine that you personally own $1,000 worth of shares in Dawson Computers. Would you be upset with the decision to rebuild the factory in the United States?

**Not upset 🡨------------------------------------------------------🡪 Highly upset**

1 ----- 2 ----- 3 ----- 4 ----- 5 ----- 6 ----- 7

What about the decision to pay all workers while the factory is rebuilt?

**Not upset 🡨------------------------------------------------------🡪 Highly upset**

1 ----- 2 ----- 3 ----- 4 ----- 5 ----- 6 ----- 7

# [TAKE RATINGS ON EACH QUESTION INDIVIDUALLY FROM SEVERAL STUDENTS. BY THIS POINT, I FIND THAT THEY WILL USUALLY CHALLEGE EACH OTHER, AND I BECOME MORE OF A “TRAFFIC DIRECTOR”]