**Module 9: Stakeholder Focus: Plant Closing**

**Core Module Issues:**

* **When, if ever, is a company obligated to consider employees if the needs of the employees are at odds with creating shareholder wealth?**
* **When, if ever, are communities relevant stakeholders?**
* **If a plant relocates within the US, if it fundamentally different than if a plant relocates overseas?**

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| **Module Teaching Notes**  This module is a close cousin of the last one (Module 8), but the focus here is on communities and not employees. The workers in this scenario will have a change to keep their jobs, and so the downside is on the town that may be left behind.  When plants close, especially when the plant is a major employer, communities can be devastated. Unemployment rises at the same time the tax base diminishes. Property values tend to decline, and a downward spiral sometimes begins.  Michael Moore made a name for himself by documenting Michigan towns in the aftermath of plant closings. If you like, you might show a clip from his film in class.  The introduction to the last module featured the Ford v. Dodge case. A good case that compliments Ford is Ypsilanti v. GM, and I like to lecture on it before raising discussion questions. The town of Ypsilanti was actually successful, at least temporarily, in stopping GM from shutting a plant. The town in essence argued "no fair! We'll be ruined!" and a lower court judge played along.  Although the case was overturned on appeal, it does make for a nice example of a lower court judge attempting to require a company to consider stakeholders.  I like to stop and discuss the Ypsilanti case, sometimes for quite awhile. Many students have fairly strong opinions one way or another. Some will praise the lower court judge for "standing up to a big corporation", others will condemn the judge for "legislating from the bench". I'll often ask if the second group of students would be more comfortable if Congress or a state legislature passed a statute dealing with plant closings, and they will usually agree that they would be.  The imaginary Wood Works company in the scenario doesn't have to move. They will not go bankrupt, they will, in fact, be profitable. But, they would be significantly more profitable if they changed locations.  It is interesting to compare the students' response to this scenario to the last. Last time, the proposed move was overseas. This time, the company will stay in the US, and move about a two hour drive away. This seems to matter to some students – the fact that the jobs will not be lost to American workers.  But try to direct attention also to the community that will be left behind as much as possible. Do the students feel sympathy for the community? If so, do they feel enough sympathy to say that the plant should remain in its current location? |

**Discussion Points for Scenario Questions**

# Assess the next-to-last sentence in the scenario: “We have to do what the shareholders want over what helps the town.” Rate the degree to which you agree with it.

### Strongly agree 🡨----------------------------------------------🡪 Strongly disagree

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

## Students who agree – why? do you generally follow the shareholder model, or is it just in this scenario?

## STUDENTS WHO DISAGREE – WHY? DO YOU GENERALLY FOLLOW THE STAKEHOLDER MODEL, OR IS IT JUST THIS SCENARIO?

# In this scenario, the town in Kentucky will lose 500 jobs. But a town in Tennessee stands to gain 500 jobs. Does the benefit cancel the harm, or does leaving the first town create more harm than operating in the new town will create?

## bENEFIT CANCELS HARM – ARE YOU MAKING A UTILITARIAN CALCULATION?

## CAUSES MORE HARM THAN GOOD – WHY? IS IT IN PART THE TOWN THAT WILL BE LEFT BEHIND?

# The current town has refused WoodWorks’ request for tax incentives. Does the company have an ethical obligation to give the town a “last clear chance” to make a deal, or is the company ethically free to negotiate a deal with the new town?

## LAST CLEAR CHANCE – WHY? ISN'T ONE CHANCE ENOUGH?

## nO – IS A COMPANY EVER OBLIGATED TO "BE NICE" TO A TOWN IN WHICH IT OPERATES?

# If the town in Tennessee offers tax abatements, and the town in Kentucky does not, where should the plant ultimately be?

## TENNESSEE – WHAT IF THE ABATEMENTS WERE HALF THE SIZE, AND PROFITS WOULD ONLY GO FROM 3% UP TO 6%

## KENTUCKY – WHAT IF THE PLANT WOULD BE MAKING A 0% PROFIT IN KENTUCKY

# Assess the overall fairness of companies that engage in this type of “location shopping” for lower manufacturing costs. Rate a company that, like WoodWorks, decides to relocate to another town in the United States.

### Fair 🡨---------------------------------------------------------------🡪 Unfair

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

# [THIS IS A "BOTTOM LINE" TYPE QUESTION, AND IS MEANT TO WRAP THINGS UP RATHER THAN SPARK MUCH ADDITIONAL DEBATE.]