

Exam #2

This exam is a take-home exam. You are free to use your book while taking the exam, as well as your notes from class and the materials that I have posted on the course web site.

However, you are NOT free to copy someone else's work, nor can you take the test as a group project. Your work on this exam should be yours, and yours alone.

Complete an analysis of the following case. Your analysis must have the following components:

- Summarize the facts of the case.
- State the central ethical issue(s).
- Develop an ethical analysis of the case.
 - ▶ Identify available options.
 - ▶ Apply ethical ideas and principles to evaluate the options and select (and defend) the one that is best.
 - Use Freeman's stakeholder approach to the analysis, but indicate the difference(s) there would be if you used Friedman's shareholder approach.
 - Use 2 of the big 3 ethical theories – Kant, Utilitarianism, Rawls.
 - Use other ideas and principles from the course readings as appropriate, e.g., Donaldson might be useful in a global business case, or Baxter in an environmental case.
 - ▶ If the actual outcome of the case is known, compare it to the option selected.
- Conclude by summarizing your answers to the central ethical issue(s).

Your analysis should be 800-1000 words long (3 to 4 typed, double-spaced pages). **The analysis is due no later than Tuesday, November 24.** You can use the period originally scheduled for an in-class exam (Thursday, November 12) as time to work on your paper (no class session on the 12th). This exam will still carry the weight listed in the syllabus for Exam #2.

THE CASE STUDY BEGINS ON THE NEXT PAGE

Case Study

Chrysler and Gao Feng: Corporate Responsibility for Religious and Political Freedom in China

Michael A. Santoro

INTRODUCTION

For multinational corporations, doing business in China presents many complex ethical issues. The Gao Feng incident exemplified the challenging decisions that confront corporate executives trying to run a business in a country run by a totalitarian government that violates the human rights of its own citizens.

THE GAO FENG INCIDENT

In May 1994, Gao Feng, a devout Christian, was arrested in Beijing for planning a private worship service and candlelight vigil to commemorate the fifth anniversary of the Tiananmen Square massacre. Gao was a 26-year employee of Beijing Jeep, Chrysler's joint venture with the Chinese government. Gao was accused of violating Chinese laws against the practice of religion outside of a state-authorized venue.

Technically, Gao appears to have violated Chinese law. Article 36 of the Chinese Constitution nominally provides for freedom of religious belief. However, the government restricts religious practice to government sanctioned organizations in order to control the growth and scope of activity of religious groups. State Council Regulation 145, signed into law by then Premier Li Peng in January 1994, requires all places of worship to register with government religious affairs bureaus and come under the supervision of official "patriotic"

religious organizations. There are almost 85,000 approved venues for religious activities in China. Many religious groups, however, have been reluctant to comply with the regulation either out of principled opposition to state control of religion or due to fear of adverse consequences if they reveal, as the regulations require, the names and addresses of church leaders.

The Universal Declaration of Human Rights, endorsed by a resolution of the United Nations General Assembly in 1948, contains the following relevant provisions:

Article 18. Everyone has the right to freedom of thought, conscience and religion; this right includes freedom to change his religion or belief, and freedom, either alone or in community with others and in public or private, to manifest his religion or belief in teaching, practice, worship and observance.

Article 19. Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.

Article 20. (1) Everyone has the right to freedom of peaceful assembly and association. (2) No one may be compelled to belong to an association.

According to press reports, Gao remained under administrative detention for five weeks.

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This case has been excerpted from Al Gini & Alexei M. Marcoux, eds., *Case Studies in Business Ethics*, Sixth Edition, Pearson/Prentice Hall (2009), pp. 237-239.

He was never formally charged. In early July, Gao returned to work at Beijing Jeep and told his supervisor that the Chinese Public Safety Bureau had imprisoned him for over a month. Chrysler asked Gao to produce proof of his detention. The Chinese police gave Gao a note that said that he had been detained for three days and then released without trial.

Beijing Jeep's general manager was faced with a tough decision. The Chinese joint venture partner was pressuring Chrysler to fire Gao Feng. If he does not fire him, millions of dollars of Chrysler's invested capital in China would be put at risk. If, however, Chrysler fires Gao Feng, the company would become complicit in the violation of his right to religious freedom and political expression.

The commercial interests at stake for Chrysler cannot be ignored. One of the keys to success in the Chinese markets is good relations with the Communist Party which keeps rigid control over the economy. Multinational corporations spend years cultivating good *guanxi* or connections in China. They are thus extremely vulnerable to retaliation. Even powerful corporations such as Motorola, Hewlett-Packard and General Motors are well aware that they could jeopardize billions of dollars of investments if they take a position on human rights that angers the Chinese government. At the time of the Gao Feng incident, for example, Chrysler was very aware that failure to accede to the government's request could result in losing a valuable mini-van contract to its German competitor Daimler-Benz. (United States-based Chrysler subsequently merged its worldwide businesses with the Germany-based Daimler-Benz.) As a consequence, the basic instinct of most foreign businesspeople in China is to stay as far away from the subject of human rights as possible. However, when a situation like the Gao Feng incident arises, corporate executives must make a decision and take action. Avoidance is simply not an option.

THE DECISION

Put yourself in the position of Chrysler's general manager. How would you handle the situation? Would you fire Gao Feng? Would you refuse to fire him? Is there some other course of action you would consider?

Would it be a sign of "cultural imperialism" if Chrysler refused to fire Gao Feng? After all, didn't Gao Feng violate Chinese law on the practice of religion? Does it matter that the enforcement of the law would appear to be in violation of the Universal Declaration of Human Rights?

How much should you factor in the financial consequences of your decision? What if your refusal to fire Gao Feng cost Chrysler millions of dollars in potential profits? Is there some way of handling the situation that would minimize the potential financial consequences?

When asked how he would handle the Gao Feng scenario, one executive with many years of business experience in China replied as follows: "The first thing I would do is to tell my secretary to hold my calls and then I would close my door to think. Because this would be a very serious situation, which, if not handled properly could have serious repercussions for my company. I would take this very seriously."

OUTCOME

Chrysler, presumably reasoning that Gao Feng had no documented reason for failing to report to work for the bulk of the time he was missing, fired him for poor attendance. Gao Feng's case became widely publicized when the advocacy group Human Rights Watch took up his cause. Due to the personal intervention of Chrysler's chairman, Robert J. Eaton, Gao was eventually reinstated, but his case dramatically illustrates the moral and financial pitfalls of operating in a country where there are serious and pervasive human rights abuses.

Gao's freedom was, however, short-lived once the publicity surrounding his case subsided. A few months after his reinstatement at Chrysler, Gao was rearrested and without benefit of a legal proceeding sent to a reeducation through labor camp. Gao Feng was again released in 1998 following the highly publicized visit of a interdenominational group of clergy appointed by President Clinton to investigate religious freedom in China.