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Bringing the PRME into the International Business Classroom: An Experiential Exercise in Ethical Decision-Making in the New Zealand Context

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Abstract. Examining and analysing confronting ethical decisions using a relativist framework, is a critical aspect of learning in the International Business classroom (IB classroom hereafter). The PRME is one such initiative that recognises the importance of universities (especially within business schools) as instrumental in influencing a change in the thought process of future business leaders, in turn, normalising ethical conduct within organisations. However, there is a lack of classroom case studies and activities which focus on bringing an ethical dimension to the IB classroom. Using the context of the ready-made garment industry, the aim of this paper is to present an experiential case study that facilitates the students to understand "real world" issues that MNEs often face when operating in a foreign market. The case in this paper presents four distinct phases, each serving a different purpose. In doing so, it encourages students to employ the PRME principles and examine the nature of corporate conduct in an international context.

Keywords: value chains, outsourcing, garment sector, MNEs, ethical decision making, PRME.

1. Introduction

The last two decades have seen a major shift in the economic geography of the world. The rise of emerging markets, especially in Asia, has seen Multinational Enterprises (MNEs) across a broad range of sectors move their production to these economies, in order to achieve greater economies of scale and cost minimisation. The ready-made garment industry (RMG), amongst others, is a good example of an industry which has seen significant outsourcing of production to developing and emerging markets. Today, China, Bangladesh, Vietnam, Cambodia and India are five of the world's largest garment exporters. The RMG industry in these countries is sustained largely through the provision of low value apparel products at low cost (Jeroen 2009). Low-cost, and widely available, labour is one of the facilitating factors that makes these economies attractive outsourcing destinations for some of the leading global fashion houses including (but not limited to) H&M,

Zara, Disney, GAP and Levi Strauss. Although the RMG industry in these economies offers numerous opportunities, it also presents a unique set of challenges. Low-skilled (often from impoverished socio-economic background) and illiterate workforce, poor and/or improper infrastructure, poor backward and forward integration linkages, lack of regulation and social compliance, institutional voids and fragmented market structures are some of the main issues that face the RMG industry. Among other aspects, labour exploitation and sub-standard working conditions are the most prominent issues within the RGM industry today. Indeed, the RGM industry has increasingly garnered worldwide media attention especially over the last two decades. Perhaps one of the most well-known examples was the lawsuit against Nike in the early 2000s. Sued by a consumer activist Marc Kasky under California's unfair competition law – for making false claims about its reliance to employing sweatshop labour – the case highlighted the extensive nature of exploitive practices and worker abuse prevalent in Nike's Asian factories (Girion 2003). As an immediate stock market reaction to the lawsuit, the Nike share price dropped 11 cents and had a major impact on the brand in both domestic and international markets (Girion 2003). Although the case was settled out of court, the Supreme Court of California ordered the company to pay US$1.5million as compensation to the Fair Labour Association for factory monitoring worldwide. In addition, the court was also of the opinion that Nike state factual representations about its own products and operations (Girion 2003). The case received wide media attention both in the US and the internationally.

More recently, examples like the collapse of Rana Plaza (Bangladesh), strike action against brands like Coach, and Michael Kors over exploitative working conditions (China) (BBC 2018) and affixing tags to Zara garments, after workers claimed the Spanish fast fashion giant failed to pay for their labour (Turkey) (Lieber 2017) highlight the nature of exploitation that continues to exist in the RMG industry. As consumers become more conscious about their purchase, the examples stated here and in the above section, have had an impact on market share, stock prices and public image of the firms involved.

Over the past three decades, the production process for garments (among other consumables) has become a complex set of activities across a value chain that spans several countries (global value chain). A global value chain includes all activities of a product life cycle: designing, manufacturing and selling that encompass the original equipment manufacturer (MNE/brand) and a network of suppliers across different countries (Hernándeza & Pedersen 2017). Given its global scope, the relationship between the MNE, the network of suppliers and the law therefore highlights the need of a connection between responsibility and liability. The MNE is only legally responsible for the actions of its supplier(s) if the brand directly employs and controls that supplier(s). Often when outsourcing, most suppliers are typically outside the MNE's direct control, operating, instead, as contractors and in many cases, even as subcontractors. This nature of the global