Case: Classic Container Corporation

SOME YEARS AGO the American firm, Classic Container Corporation (CCC), decided to develop its operations in international markets. CCC was widely recognized as one of the top ten firms in the U.S. food and drink container industry. CCC believed that it had to follow the lead of others in the industry, in the hope that new markets would bring the sales growth it so desperately needed, without having to rely on technological breakthroughs.

CCC's management determined that its major competitors had overwhelming advantages in most of Europe because of their earlier entrance into those markets. Consequently, CCC decided to establish its manufacturing and marketing operations for cans and bottles in developing countries, specifically in Africa. This meant that CCC would not have to compete head-to-head with other large international competitors. By maintaining its own manufacturing operation in the underdeveloped countries, it seemed reasonable that CCC could achieve a significant market penetration.

The International Division of CCC was given responsibility for entry into African markets. The head of that department was William Taylor, who had a reputation for exceeding performance targets. The operating responsibility for Eastern Africa fell to Reginald More. When More approached the government of East Zambia (EZ) through diplomatic channels, the idea of establishing manufacturing operations was warmly received. As negotiations proceeded with the Secretary of Commerce of EZ, however, it became clear that CCC would not be hiring as many citizens of that country as its government desired. Because its operations were so highly mechanized, CCC required skilled American workers and managers for its operations. The company was only able to employ EZians in small numbers, mostly as menial laborers. Still, the EZ government was anxious to attract industry from the West and encouraged CCC to begin construction of a plant. All of the initial permissions were quickly granted by the appropriate EZ officials.

In around 12 months CCC had completed the land clearing and external construction for a large plant operation in EZ. Shipments of machinery from its U.S. operations were due to arrive soon. Then, in a surprise move, the Commerce officials of EZ informed More that the CCC plant operation could not begin as planned. The EZ officials cited both a myriad regulations that had not previously been mentioned and the failure to hire locals as two reasons for the hold-up. The officials explained to More that all of these matters could be resolved immediately, if certain payments were made to both the officials themselves and the Secretary's staff. These payments were to be in U.S. dollars and would be a one-time payment. Unfortunately, the EZians would not allow these "payments for administrative costs" to be publicly recorded.

Reginald More was very troubled by these developments. Delays in starting the plant operation could have a dramatic influence on its ultimate profitability. There were rumours that a competitor was negotiating to build a plant in neighbouring Kenya. Any significant delay would probably cause the International Division to fall short of its performance target for the following year.

On the one hand, More could not ascertain whether or not the requested payments constituted official policy of the EZ government. Personally, More considered such payments unethical and contrary to his personal values. CCC Container had implemented a Code of Ethics, which had a provision that prohibited "making any payments on behalf of the Corporation that are contrary to the law of the United States or of the country in which they are made". The Code further contained a formal procedure by which an employee could whistle-blow[1] about violations.

More discussed the problem with his department head, Taylor. Taylor's first question was, "How much do they want?" When More mentioned the amount, Taylor said, "That sounds reasonable. Pay it." More then stated his reservations and mentioned the Code. Taylor then became somewhat irritated and said, "Look, there are big sums involved here. You can be sure that the competitors will make similar payments if they go into Africa. Pay the bribe!"

Q: What do you think More should do? What are some alternatives to paying the bribe?

Class Discussion
Consider the saying "When in Rome, do as the Romans do". Note down two arguments supporting this approach. Note two arguments against this approach.

What are the similarities and differences between this (hypothetical) case and AWB in Suddam Hossein's Iraq, do you think?

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1. To *whistle-blow* means to inform company superiors, or law-enforcement authorities, or the mass media.