3. Teaching Note :
The Case Study of Taroichi Electronics Thailand

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1. Overview of the Teaching Note

The case study "Taroichi Electronics Thailand: A Strategic Challenge towards China-Japan Conflict and Wage Increase" is about a medium-size enterprise owned by a conglomerate company that is facing challenges in the regional supply chain and internal affairs management. The case is divided into two parts; one is about managing the supply chain amid contentious international relations and disputes between China and Japan, which affected business circles including the factory in the case study. The second part provides a wage-related issue in the context of CSR and human rights.

This is a real situation of a Japanese national company in Thailand, but all names, including the company's names used in the case study were disguised.

2. Type of Course

- Undergraduate in Business Administration
- Master in Business and Administration
- The case can be located in;
    - The basic course curriculum of theory and practices in strategic management
    - The course curriculum of business and corporate social responsibility, human rights, labour rights, and human resource management

3. Teaching objectives

3.1 To present the situation of an enterprise in regards with the supply chain management, linking the knowledge of business management in the local context

3.2 To provide discussion on CSR, business and human rights, business, and ethics

4. Timing:

- 1.5 hours session with two parts
- Time allocation : Part I
    - 5 min. for introduction
    - 20 min. for group discussion
    - 10 min. wrap-up
- Time allocation : Part II
    - 5 min. for introduction
    - 20 min. for group discussion
    - 20 min. for group presentation
    - 10 min. for brainstorming and wrap-up

5. Suggested student assignment

- Readings
    - Industry notes,
    - Articles related to the concept of CSR, business and human rights, business ethics, eg. published books written by Archie B. Carroll,.
    - Crane, Andrew *and* Matten, Dirk. (2007) *Managing Corporate Citizenship and Sustainability in the Age of Globalization,* third Edition, and, Oxford University Press.

6. Suggested possible discussion questions

There are two parts; Part one is about the industry context in the contentious China-Japan conflict. Part two is about the issue of minimum wage increase which is related to several course curricula. Some questions are provided by suggested answers, observations and analysis, others have no suggested answers but allow students to openly discuss and propose alternative solutions for the case.

- **Part I – Industry context and the contentious China-Japan conflict**
  - **Questions with suggested answers.**

Question 1: After reading the industry note and the case study, what would be your assessment of the company's situation with regards to the contentious China-Japan dispute over the Sensaku Islands?

Suggested answer: The industry note provides an overview of the electronics industry in Thailand with China playing a crucial role as the major rivalry country due to its cheaper labour cost, strong local suppliers, and infrastructure as a manufacturing base for foreign companies.

The local context does matter, however. LICA set outs a production platform by importing raw materials from China and choosing both China and Thailand as production bases for exporting its product. This indicates that at the micro level where a multinational company is a major player, China is not a rival but rather is a strategic option for business and manufacturing operations. China could also become a threat for business operations, specifically in relation to international conflicts.

  - **Questions without suggested answers.**

Question 2: If you were Mr. Paiboon, the key decision-maker in the case, would the strategic approach LICA chose work for you in managing business amid international conflicts? Why or why not?

Question 3: In dealing with Mr. Paiboon's concerns, what alternatives might you consider? Why? And what would be your implementation plan?

- **Part II** – Increase of minimum wage at Taroichi [NOTE: Teachers can select some of these suggested questions appropriate to their course curricula—CSR, business and human rights, or human resource management]

  - **Questions with suggested answers.**

Question 1: [Labour and human resource management]
What would be your analysis of the 2012 incident on wage adjustment and the ensuring local protests? If you were Mr. Paiboon, how would you prevent the incident from happening again? What are sustainable solutions in managing worker-management relations?

Suggested answer: One factor that led to the wage incident and worker-management confrontation in 2012 was that there's no functional worker representation system at Taroichi. As a result, management and workers have no proper channels and mechanism in place for consultation and working out resolutions together. In preventing the incident from happening again in the future, the management may consider to arrange an election of worker representatives, as well as determining a possibility to set-up and work with the

trade union, so that the worker representation can voice and raise concerns on behalf of all employees.

Question 2: [CSR and ethical standards]
LICA says it upholds the highest standards of ethics and integrity, in full compliance with the local laws. What are your thoughts on this assertion?

Suggested answer: It is important to understand the concept of Corporate Social Responsibility (CSR) since there are various definitions and interpretation of CSR. According to Archie B. Carroll, an American academic and expert who has been studying CSR for more than three decades, CSR characteristics are comprised of the following:

- The economics responsibility: Be profitable: It is the foundation through which all the other CSR-related responsibilities rest;
- The legal responsibility: Obey the law which is society's codification of right and wrong;
- The ethical responsibility: Do the right thing justly and with fairness. It is the society's expectation for corporations to be ethical;
- The philanthropic responsibility: Be a good corporate citizen, contribute resources to community, and improve quality of life.

Under Carroll's CSR framework, LICA's commitment to achieve the "highest standards of ethics" could be interpreted that the company desires to go beyond the legal requirement. The laws are normally considered as minimum standards to be complied with so it seems quite challenging to determine whether LICA would really uphold the highest standards of ethics or just minimum legal compliance. This could be also problematic when it comes to implementation.

For example, in Thailand, the Labour Protection Act allows employers to request workers to work as many as 84 hours per week (see case study, po. 3 and 7). If LICA takes advantage of this provision, it still does not violate the law. On the other hand, making workers work as many as 84 hours in a week may affect their work life balance, or the between work and quality time with their families, which would put LICA's morale and ethics in question.

To solve this problem, LICA may need to clarify its statement, e.g., it would apply an appropriate standard, either the Code of Conduct or local law, whichever is stricter. This means that if international standards (e.g. ILO conventions on labour protection) are stricter than those specified under the local laws, LICA should choose the stricter standard. Or if the local laws are stricter than the international standards, LICA should apply the local laws.

Question 3: [CSR and ethical standards]
LICA is moving towards innovations in its automation system. One possible effect is that machine operators might be negatively affected by their replacement of by mechanized operations. If you were Taroichi's management who must decide to lay off workers due to technological advancements, what alternatives might you consider in managing the lay offs and keep the good image of the CSR at the same time? Why?

Suggested answers: Following the suggested answer in question 3, it's interesting to see whether Taroichi would provide severance pay to workers in accordance with the requirements of local laws. If Taroichi really deems it important to ensure "the highest ethical standards" as committed by LICA, it may want to consider, for example, providing further compensation on loss of opportunity to workers, ensuring that laid-off workers have access to new job opportunities, etc. Such a step will show that Taroichi really cares and is responsible for its workers.

Question 4: [Business management]
From a business-management's perspective, the minimum-wage increase policy would certainly add to the company's expenses, which had already increased during the years 2010 and 2012. In your opinion, how should Taroichi adjust to the new situation that would not affect the mother company's CSR image and still be competitive in the era of the opening ASEAN Economic Community (AEC)?

Suggested answers: The increase in minimum-wage and salaries of all employees would certainly affect the company's management's costs. In order to keep the good CSR image of LICA, as well as to be competitive, the Taroichi management may consider not recruiting more workers but rather to train its current pool of employees and develop multiple skills for different operations. Management can also work to improve productivity and productive efficiency.

- **Questions without suggested answers.**

Question 5: [Labour and human resource management]
What alternatives might you consider for wage increases in 2013 for monthly salary-based supervisors? Listening to your classmates' sharing, which alternatives would you prefer and why?

Question 6: [Business management]
Based on the information of the company's balance sheet, the company's economic situation is improving. Do you think the company is on a steady state of growth in the long term? Please explain.