Question #3

If you were Ray Betzell, what other options to the 50-50 joint venture would you consider for manufacturing textiles in China?

If we were Ray Betzell, we would consider a licensing arrangement. The American partner could license to the Chinese, so that their cost to enter foreign operations will be decreased. The licensing option may not permit the American company to have total control (or as much as they were used to having with the Joint Venture corporate structure) however as a result of a smaller initial investment in Shui Fabrics, Rocky River's American managers have a greater chance of seeing a 20% ROI.

Thank you for your attention!

Corporate Responsibility

At this point, yes, the organization is being corporately responsible, because they are operating with a sensitivity to the socioeconomic climate in China, providing jobs, and providing a useful product, legitimately progressing the economy of the region in which they operate.

Public Private Partnership: London Underground Limited

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Summary

The Shui Fabrics case deals with a managerial issue many cross border enterprises deal with - return on investment in a foreign arena and dealing with historical foreign policy issues. Ray Betzell is a general manager in a joint venture between a Chinese company and American textile manufacture which seeks to benefit from lower labor costs in China. The company has been doing very well and exceeding expectations while also employing 3,000 Chinese. The local government appreciates this contribution to the economy but remains weary of foreign companies dominating as is consistent with China's historical views on foreign influence.

The Chinese deputy general manager is satisfied with the way things are going however Betzell is feeling pressure from his American bosses to generate a higher ROI by making force reductions. The 5 percent annual return is pathetic to the American team and they are even willing to pull out of the venture altogether.

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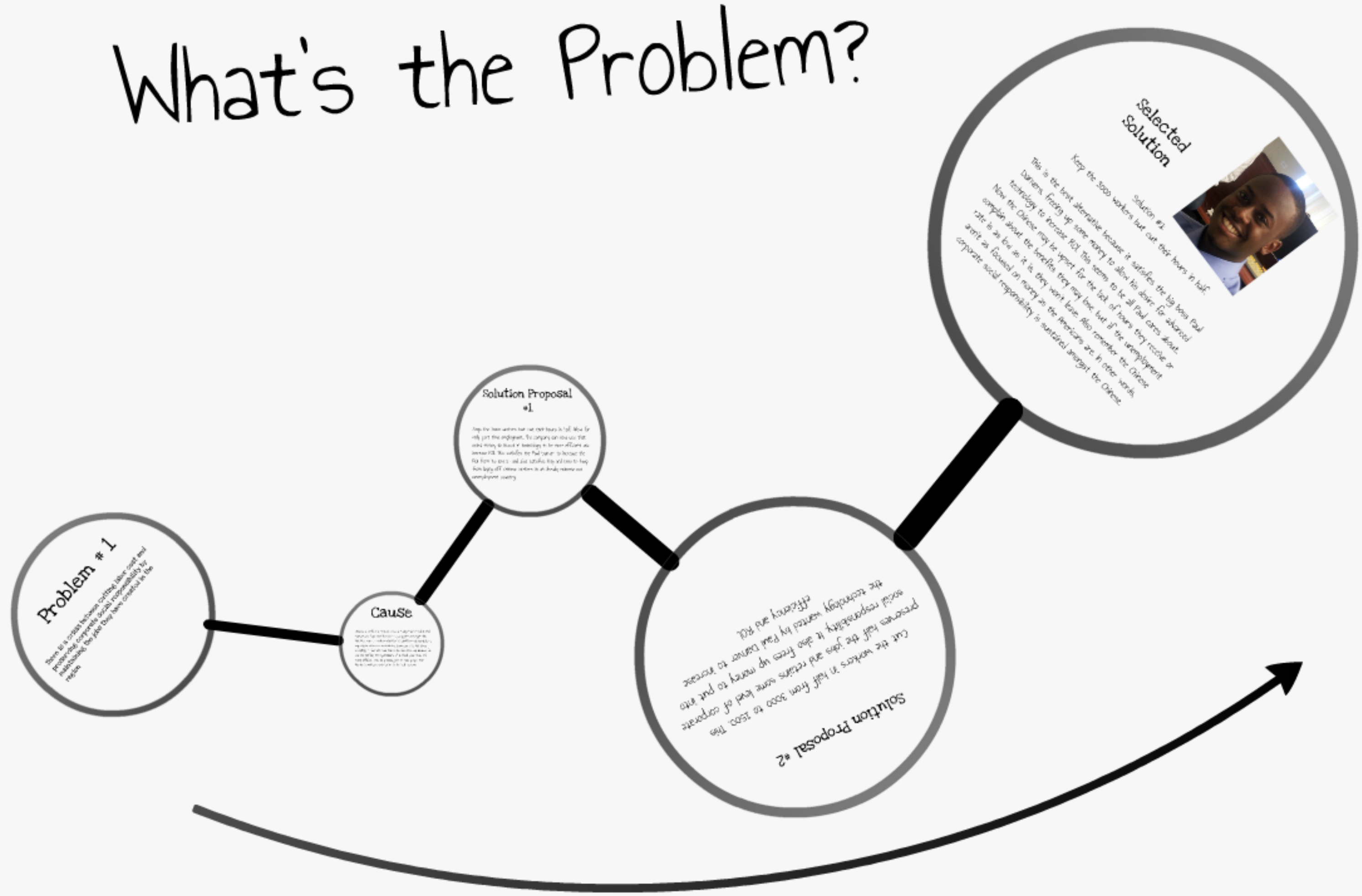
What's the Problem?
Problem # 1
There is a crisis between cutting labor cost and preserving corporate social responsibility by maintaining the jobs they have created in the region
Cause
Solution Proposal #1
Solution Proposal #2
Cut the workers in half from 3000 to 1500. This preserves half the jobs and retains some level of corporate social responsibility it also frees up money to put into the technology wanted by Paul Danner to increase efficiency and ROI.
Selected Solution
Keep the 3000 workers but cut their hours in half.
Solution #1
This is the best alternative because it satisfies the big boss Paul Danners, freeing up some money to allow his desire for advanced technology to increase ROI. This seems to be all Paul cares about. Now the Chinese may be upset for the lack of hours they receive or complain about the benefits they may lose but if the unemployment rate is as low as it is, they won't leave. Also remember the Chinese aren't as focused on money as the Americans are in other words corporate social responsibility is sustained amongst the Chinese.

Problem # 1

There is a crisis between cutting labor cost and preserving corporate social responsibility by maintaining the jobs they have created in the region

Cause

There is a conflict in interest between Rocky River President Paul Danvers and Ray Betzell's Chinese deputy general manager Chiu Wai. Paul wants to reduce Shui Fabrics' workforce substantially by replacing it with more sophisticated technology. Chiu Wai thinks everything is fine with Shui Fabrics. He feels this way because for one, it's fulfilling the expectations of the local government and party officials. Also, by providing jobs to 3000 people, Shui Fabrics is making a contribution to the local economy.

Solution Proposal #1

Keep the 3000 workers but cut their hours in half. Allow for only part time employment. The company can now use that extra money to invest in technology to be more efficient and increase ROI. This satisfies the Paul Danver to increase the ROI from its low 5% and also satisfies Ray and Chiu to keep from laying off Chinese workers in an already extreme low unemployment country.