

**The Application of Catholic Social Teaching
Principles of Justice and Peace
to a Management Crisis in Global Operations and Supply Chain Management
for Principles of Management a Core Course
in a Catholic Business School**

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The world in which our students participate, and the economy in which they will enter is one of global interdependence.¹ As a result of the development of information technology, global communication and transportation systems, we live in a world of economic interdependence and differentiation. In this “global web” labor intensive production has been “outsourced” to countries and economies with relatively lower labor costs.² The outsourcing has resulted in employment in less economically developed countries that has undoubtedly increased the standard of living of those participating in the global economy; but often low cost production strategies have resulted in fraudulent products and problems in supply chain of the outsourcing company.³ Bangladesh has become a center for out-sourced clothing production for such companies as Gap, Wal-Mart and The Children’s Place, as well as some European companies. However significant problems in the supply chain have occurred in Bangladesh. For example, there was a fire in a factory at Tazreen Fashions, where over 100 textile workers were killed, as a result of safety violations by the factory owners.⁴ And in May 2013, a building collapsed in Rana Plaza. The Rana Plaza building had been identified as structurally unsound, but the factory owner ordered the workers to return to work, resulting in the deaths of many workers.⁵ Wal-Mart and The Children’s Place, as well as sub-contracted work at the Rana Plaza. Following the Rana Plaza collapse, some companies developed a program for

¹ Work of Nations: Preparing ourselves for 21st century capitalism, by Robert Reich (Alfred A. Knopf, New York: 1991)

² The World is Flat: A brief history of the 21st century, by Thomas L. Friedman (Farrar, Straus & Giroux, New York: 2005)

³ “The ethical challenges for enterprise and risks to consumers of large market share through low cost supplier strategy,” by Paula Alexander Becker, *Journal of International Business Ethics*, Vol. 1, No. 1, 2008: pp 107-113. For example, some toys produced in China for Mattel were painted with lead paint. See “Mattel shifts into crisis mode after quality problems,” *New York Times*, August 28, 2007, by-line of Louise Story.

⁴ “Fatal Fire in Bangladesh Highlights the Dangers Facing Garment Workers” *New York Times*, November 25, 2012, by line of Vikas Bajaj.

⁵ “ Scores dead in Bangladesh building collapse” *New York Times*, April 24, 2013, by line of Julfikar Ali Manik and Jim Yardley

safety improvements and safety inspections.⁶ Although neither Wal-Mart nor The Children's Place signed onto the Accord for Fire and Building Safety in Bangladesh, American based companies developed an Alliance for Bangladesh Worker Safety. The European led Accord, the American Alliance for Bangladesh Worker Safety, the International Labor Organization and the Bangladesh University for Engineering and Technology have negotiated unified safety and inspection standards for factories in Bangladesh.⁷

Although the out-sourcing companies were not directly responsible for the fraudulent or unsafe products, or the safety violations resulting in a fire or a building collapse, they are responsible for the management of their supply chain. Low cost/high volume production systems out-sourced to less economically developed countries exploit labor cost differentials, as well as a less stringent regulatory environment. It is unacceptable ethically and legally that out-sourcing companies and their sub-contractors operate low cost production systems that externalize the "cost savings" onto the workers of the out-sourced companies.

Our students are accustomed to low cost strategies, which are favorably discussed in business schools; but we need to lead our students to an understanding of the downside of low cost strategies, beyond the financial downside, including human costs and environmental risks. Moreover as a Catholic business school, we can invite the students to consider how the application of Catholic Social Teaching principles of justice and peace would make a difference to enterprise operations, as well as the benefits of incorporating such principles into enterprise operations.

The Pontifical Council on Justice and Peace has created a "Compendium of the Social Doctrine of the Church," which integrates biblical themes and the teachings of the papal encyclicals into articulated principles centering around the value of the human person and human rights, and the principles of the common good, the universal destination of goods and the preferential option for the poor, the principles of subsidiarity, participation, solidarity, and stewardship of the environment.⁸ The Pontifical Council also develops a perspective on the global economy. The Exhortation of Pope Francis issued in November 2013 rejects an "economy of exclusion and inequality," and emphasizes the inclusion of the poor in the global economy, which must work to improve the standard of living of the less advantaged of the world.⁹ The Papal Exhortation as well as *The Vocation of the Business Leader*, published in 2012 by the Pontifical Council on Justice and Peace,¹⁰ understands the benefits business leaders create by their work, and that business by its production of goods and services improves the global standard of living and can lift the poor out of their poverty. The recognition that business *qua business* contributes to the common

⁶ "Major Retailers Join Bangladesh Safety Plan, New York Times, May 13, 2013 by line of Steven Greenhouse

⁷ "Major Retailers Agree to Inspection Standards in Bangladesh," New York Times, November 20, 2013, by line of Steven Greenhouse

⁸ "Compendium of the Social Doctrine of the Church," Pontifical Council on Justice and Peace, 2004

⁹ Papal Exhortation by Pope Francis, November 2013

¹⁰ "The Vocation of the Business Leader" Pontifical Council on Justice and Peace, 2012

good and can lift the poor out of poverty has in recent years become a significant trend among business strategists and economists.¹¹

Consistent with a pedagogical model that promotes critical thinking, students in Principles of Management are asked to analyze the management crisis in global operations and supply chain management posed by the Tazreen fire and Rana building collapse in Bangladesh, and to propose solutions derived from the application of principles of Catholic Social Teaching to these problems.

¹¹ See *The Fortune at the Bottom of the Pyramid: Eradicating Poverty by Profits*, by C.K. Prahalad (Wharton, Philadelphia: 2006) . See also *The Business Solution to Poverty: Redesigning Products and Services for three billion new customers*, by Paul Polak and Mal Warwick (Berrett-Koehler, San Francisco: 2013); *Poor Economics: A radical rethinking of the way to fight global poverty* by Abhijit Banerjee and Esther Duflo (Public Affairs/Perseus, New York: 2011); *Alleviating Poverty by Business Strategy: Global Case Studies in Social Entrepreneurship*, edited by Charles Wankel (Palgrave Macmillan: New York, 2008).