

¹ Deloitte AP ICE 3 – Teaching Note

Conor Vibert developed this teaching note to guide the use of the multimedia case entitled Deloitte AP ICE 3 for instructional purposes. It is not the purpose of this material to serve as an illustration of how to effectively or ineffectively address a managerial situation.

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SUMMARY

Chris Roberge, Managing Director of Canadian Tax Services for Deloitte LLP in Hong Kong provides the insight for this multi-media case focused on issues of business ethics in international procurement. Advice is being sought as to how to proceed in resolving this real life issue. Students are offered access to a set of transcribed video clips that outline the issue and its cause along with providing context for the issue. In order to arrive at alternative solutions and justify their choice of a solution, students are expected to use sources of information not found in the case.

KEYWORDS

- Ethics
- Globalization
- Cross Cultural Management

CASENET VIDEOS

Each video in this multimedia case features a segment of an interview with one of the organization's key decision makers. The videos describe:

1. the *Issue* facing the individual or organization
2. the *Cause* of the issue
3. *Background* information for the individual, organization and industry
4. *Alternatives* for addressing the issue
5. A suggested *Solution* and justification

Transcriptions for each video are also available. Students may not access the *Alternatives* and *Solution* videos or transcripts.

OBJECTIVES FOR TEACHING

There are a number of instructional objectives for this case.

- To enhance the decision making skills of students by having them address a real life issue faced by managers of Canadian or international companies.

¹ The Author wishes to thank Chris Roberge for his support of this project. At Acadia University, thanks are in order for Dave Sheehan.

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- To provide students with a brief introduction to the financial services industry.
- To offer students an opportunity to analyze a situation using concepts that enable effective responses to business ethics issues across cultures

POSSIBLE TEACHING STRATEGY

This case is ideal for in-class case analysis or as an assignment. Assuming an 80 minute class, here is an approximate class schedule:

Time (minutes)	Task
5	Introduce case and divide students into groups.
15	Students view <i>Background</i> case videos and make notes.
5	Instructor plays the <i>Issue</i> and <i>Cause</i> clip(s).
25	Students identify alternatives, a solution and rationale.
20	Instructor guides a discussion around alternatives, solution and rationale.
10	Instructor plays the <i>Alternatives</i> and <i>Solution</i> clips.

If the case is used as an assignment, the instructor may want to focus assessment on:

- 1) **Decision-making process.** The instructor would evaluate writing style, appropriateness of information sources, alternatives, solution and rationale. This approach recognizes that the alternatives and solutions offered in the case are not necessarily optimal, and other choices may be equally effective. Students can be rewarded for their selection of decision making approaches, analytical frameworks and cited reference material.
- 2) **Outcomes.** The instructor would evaluate how closely student responses match those offered in the *Alternatives* and *Solution* video clips. Or, the instructor could use the insight of an existing research paper or analytical framework as the basis for judging outcomes.
- 3) **A combination of process and outcome.** The instructor may apportion the grade between process and outcomes.

POSSIBLE QUESTIONS FOR ASSIGNMENTS

Students can be asked to identify a set of alternatives to address the issue outlined in the case, a solution and rationale. Other questions that will help students prepare for their case analysis include:

- What methods can businesses use to separate ethics practices in differing countries?
- How can government regulations hinder business practices?
- Can international trade practices benefit the way business is done with allied countries?

CASE ANALYSIS

Issue: The *Issue* and *Cause* video clips outline the problem or challenge of the case.

- Hi. I am Chris Roberge from Deloitte. An issue that we are dealing with deals with business ethics and business standards. For example, if you are working in a country and you have to buy a bunch of heavy equipment you may negotiate and get a discount on that equipment. That country might suggest that the discount goes to the individual salesman who procured the deal and not the

company. This is an important issue because you are trying to grow your business by being and working in an environment that is consistent with the country you are operating in. But those operating norms may conflict with the policies and procedures back in your home country.

Analysis:

To start their analysis of the case, students should view the *Background* video clips. These clips should help students grasp the following points or case facts.

- The biggest issue being addressed is that of migration, the movement of power from the West to the East.
- Deloitte AP ICE hosts representatives from 15 countries
- The major clients are large enterprises in the resource sector, gas and mining.
- Jurisdictions where tax laws change are good business

Researching information sources other than the content of the cases should enable students to garner the following insights:

- Private consumption from the middle class is expected to increase from \$2 trillion to \$4.8 trillion by 2015 (Liu Bing).
- Banking fees in most rich countries have dropped 10-20% since the financial crisis (The Economist).
- Over 70% of respondents agree that new wealth planning business in Asia will be private banker driven (Step Report).
- Hong Kong does not impose foreign exchange controls (Government of Hong Kong).
- Hong Kong only accounted for .01% of expansion capital globally (Deloitte).

With this information in hand students can be challenged to identify an analytic framework that will help them organize their thoughts.

- This is an interesting case that mixes ethics with globalization. In this instance, the students need to focus on where to look for the right ethical standard to follow. To guide students, instructors might use Ghemawat's (2007) ideas regarding how companies should choose their strategy for going global. He suggested that firms typically have three choices and these are to adapt to the local market, aggregate their products and services and compete using common standards in all market or use arbitrage and mix and match local market strategies with global standards as needed. Dumitrescu, and Vinerean (2010) suggest a similar approach. They picture globalization in terms of a firm's communication and product strategy with each either being localized or standardized. From this three maxims are introduced. Global is think globally and act globally. Local is act think locally and act locally. The third choice Glocal refers to thinking globally but acting locally. Instructors can borrow from these ideas to guide the discussion.
- Students can be encouraged to consider each of their alternatives in light of different ethical approaches (Mastin, 2008). Four in particular are useful Consequentialism, Deontology, Social Contract Theory and Virtue Ethics. Consequentialism is an approach that suggests the morality of an action is contingent on the action's outcome or consequence. Thus, a morally right action is one that produces a good outcome or result, and the ends justify the means. From a

consequentialist perspective, each alternative would be evaluated by the consequences or outcomes each choice is likely to have. Deontology focuses on the rightness or wrongness of actions themselves, as opposed to the rightness or wrongness of the consequences of those actions. What makes a choice “right” is its conformity to a moral norm. From this approach Roberge would have to evaluate courses of action based on what duty or moral law he personally subscribes to following. Social Contract Theory holds that a person’s moral obligations are dependent on a contract or agreement among them to form the society in which they live. Individuals either explicitly or tacitly, surrender some of their freedoms and submit to the appointed authority in exchange for protection of their rights. Virtue Ethics emphasizes an individual’s character as the key element of ethical thinking, rather than rules about the acts themselves or their consequences. Accordingly, from this perspective, the values that Roberge personally holds will influence the decision he makes.

Efforts focused on research coupled with analysis should enable students to present a series of options. These can be compared to the options offered by the interviewee which are also summarized below and found in the Alternatives video clip.

- There are really three solutions to this problem. One you can abide by the local customs and rules and regulations. Two you can abide but your home country's rules and regulations. Or three you can apply the highest global standards that are available

The *Solutions* video clip offers the interviewees’ solution to the issue along with a rationale. Highlighted below, this can be compared to the student response and explanation.

- We have chosen the methodology of choosing the standards that are consistent with the highest global standard. We have done that because we are a global business and we operate in many different jurisdiction and we are accountable to many regulatory bodies. It is incumbent upon us to be the leaders in the industry and to be accepting the highest standards and not merely the lowest standards

SUGGESTED COURSES

We suggest that this case would be suitable for a number of courses. These courses include:

- Ethics
- Management
- Cross Cultural Management

ADDITIONAL RESEARCH

The case offers students opportunities to undertake interesting additional research.

Students may want to delve deeper into how managers make decisions. Classic approaches to decision making include works by Cyert and March (1963) and Tversky and Kahnemann (1974).

Students interested in learning more about the industry in general might make use of numerous online information sources some of which are noted below.

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- Deloitte, <http://www2.deloitte.com/cn/en.html>, to provide audit, consulting, financial advisory, risk management, tax and related services to select clients.
- The Economist, www.economist.com, *The Economist* online offers authoritative insight and opinion on international news, politics, business, finance, science and technology.
- STEP, www.step.org, STEP is the worldwide professional association for those advising families across generations.

REFERENCES

A number of articles, referenced below, offer insight that might help instructors effectively explore this case with students.

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