Real-life issues in running a business.

Union dismissal: One night, all the lights failed at one end of a wharf container terminal (where containers were off-loaded from ships). Next morning they found a container had been broken open in that area and new television sets stolen. The thieves left the cardboard containers that had the serial numbers on them.

A raid on the home of the fitter who worked at the area where the lights went out found a TV with the serial number of one of those stolen.

The management of the terminal came to the CEO and said they were going to dismiss the fitter. The fitter came from a long line of agitators (his uncle was the only person to be jailed for sedition) and, as union delegate, had been a thorn in the side of the supervisors. The terminal had been a site with enormous industrial problems with continuing strikes and stoppages. It had one of the slowest loading rates in the world and there was constant pressure from the clients to speed up the turnaround of their ships. The terminal management saw this as a great opportunity to get rid of a troublemaker as well as having justice and moral right on their side (as they saw it).

The CEO saw it differently; he felt it would not be able to prove that the fitter stole the TV and that the only charge could be in possession of stolen goods. That would be dealt with by the courts (probably very leniently) and it would not be proper to punish him for an offence allegedly carried out off the job. Also, Sir John Moore, the head of the arbitration court, was clearly antagonistic to the company, and the CEO felt that he would support the union.

If the CEO prevented the dismissal, the terminal managers would have been devastated, believing he had "gone soft" and was not supporting them. There would have been a loss of morale in what was a very difficult management environment.

So, against the CEO’s better judgment, the dismissal went ahead. The result was that industrial action stopped all the ports in Australia for 10 days and in the end the industrial court reinstated the fitter with full pay. The terminal mangers shrugged their shoulders and blamed the industrial system but felt fully justified in their action. The company board of directors also blamed the industrial court.

The dilemma of the CEO was in doing the right thing for the country and firm by preventing a major industrial stoppage or the right thing for morale of the mangers and their confidence in him. The trouble with worker and union industrial relations is that one can never prove that a certain action was correct ex post, only that an action was wrong. This is worse than the winner’s curse.

Business in India: To sell coal to India we found we needed to pay a commission to the agent that was more than double that paid in other countries. The agent told us that the extra fee was necessary to bribe various officials. We did not take part in any bribery and did not actually know whether it took place, but the dilemma was there — if we wanted to do business in India, we had to tacitly become involved in bribery.

On another occasion we sent a drum sample of coal to a major consumer in India (not through an agent). The consumer said it did not arrive, so we sent someone to India to trace it. He found the drum still in customs, and that a bribe was necessary to get it out. Should we pay a bribe or lose the business?

We paid.

Business in the Philippines: The new CEO of a construction company saw that profits from the Philippines subsidiary had not been repatriated. He was told that the profits should be turned into diamonds and carried out in hand-carry luggage to avoid the Philippine ban on export of money.

We left the cash there and closed the business.

Business with a contractor: A contractor wanted to process a large pile of our waste coal to recover saleable coal. We told him we thought there was a million tonnes there and he used that estimate instead of drilling to check. After installing equipment and processing about 25% of the pile he found the waste had been deposited on a small hill and there was less that half of what was estimated. He came to us to request an increase in his rate over that contracted.

We could have held him to his contract but we did increase his rate until it returned him a small profit (and so reduced our return).

Taxation: Our taxation advisors presented a scheme to reduce tax that required the setting up of dummy corporations in an offshore location that he assured us was not illegal.

The Board rejected it as not fitting our corporate ethics.

Commission: An agent introduced us to a new business venture which we decided against and so no commission was paid. About 12 months later, conditions changed and we acquired the business without the intervention or knowledge of the agent.

To his great surprise we sent him a commission, which was not required legally but certainly was ethically.