



Ted Rogers
Leadership
Centre

Chaos in Cambodia

Responsibility for Worker Safety
in the Global Supply Chain

Chris MacDonald, Ph.D.

Associate Professor, Department of Law and Business
Ted Rogers School of Management

Ethical Leadership Case Study Collection
Case Number 017-002
September 2017
©Ted Rogers Leadership Centre

The Ryerson University logo, consisting of the text "Ryerson University" in white on a blue background, with a yellow vertical bar to the right.

Ryerson
University

Table of Contents

Looking Forward to the Weekend	1
The Explosion	2
A Complicated Situation	3
Questions	4

Chaos in Cambodia
Responsibility for Worker Safety in the Global Supply Chain

Chris MacDonald, Ph.D.
Associate Professor, Department of Law and Business, Ted Rogers School of Management

Ethical Leadership Case Study Collection
Case Number 017-002
September 2017
©Ted Rogers Leadership Centre
Ted Rogers School of Management, Ryerson University

Keywords: sweatshop labour; factory safety; risk management; supply chain; corporate social responsibility

Looking Forward to the Weekend

It is a quiet afternoon at the office for Sareh Ahmadi. The door to her office at Simply Bergaya, Inc. is closed and her iPod is playing happy tunes as she buries herself in the task of reading the weekly reports from her staff. A clothing retailer like Simply Bergaya (the name comes from the Indonesian word for “stylish”) relies heavily on the information contained in such reports. As operations manager, Sareh’s job includes responsibility for overseeing, directly or indirectly, many aspects of Simply Bergaya’s daily activities, from initiating contracts with factories to approving new marketing campaigns to hiring management staff for the company’s 238 retail outlets across Canada. For one person to manage it all requires a need for a constant flow of reliable information from her team.

It is a big responsibility, one that Sareh views seriously. But she takes a rare break from her reading to think about the weekend ahead of her. She has promised her spouse and kids that she will not work this weekend so they can all spend the weekend together. They plan to pile into the family car, drive out to the lake and go swimming. All that stood between her and the much-needed break is another two hours of reading reports.

And then the phone rings. Sareh sighs, plucks out her ear buds, and answers. The voice at the other end of the line is that of Daniel Yoon, Simply Bergaya’s purchasing manager. “Um, hi, Sareh” he announces in a grim voice. “You’d better check the news online. There’s been an accident – an explosion. At one of our factories in Cambodia.”

The Explosion

Sareh knew Daniel was simplifying for the sake of brevity. Simply Bergaya doesn't have any factories—not in Cambodia or anywhere else. The company instead has contracts with more than two dozen suppliers in Cambodia, Vietnam, and Bangladesh. The suppliers are the ones who own factories and employ local workers, mostly women, to sew the mid-priced, “fashion forward” clothes that Simply Bergaya sells. But nonetheless, it is common for staff at Simply Bergaya to refer to the factories it does so much business with as “our” factories, and to think of them that way.

Daniel briefs Sareh quickly. The factory in question is one of the three factories located in the Cambodian capital of Phnom Penh and it is owned and operated by a small family firm called Kosal. The Kosal factories have long been a source of anxiety for Sareh. Reports from local inspectors hired by Simply Bergaya often indicate that factory managers are cutting corners—storing toxic chemicals in a lunchroom, failing to maintain fire extinguishers in proper working order, allowing garbage barrels to obstruct fire exits, and so on.

These sorts of shortcuts aren't terribly dangerous, but Sareh worries about them. On the other hand, the Kosal factories do very good work, always meeting deadlines and producing garments of higher than average quality. Whenever Simply Bergaya asked the factory managers to fix some problem, they always comply, mostly, eventually. But now, something has gone very wrong.

Authorities in Phnom Penh say they suspect that the factory managers stored flammable cleaning fluids near an aging electrical connection box, and that a spark led to a fire. The fire has in turn spread to the fireworks factory next door, resulting in a massive explosion. Both buildings have collapsed. Twenty-three workers in the Kosal factories have died, and several dozen others were injured.

A Complicated Situation

Sareh calls home to tell her family that she is flying to Cambodia the next morning. It is crucial for her to find out what has happened. She also has questions about continuing to do business in Cambodia. After all, the media will inevitably ask why a Canadian company like hers is sourcing garments in a poor country like Cambodia, where workers were paid comparatively low wages to make fashionable clothes for affluent North Americans. Would it be easier for Simply Bergaya simply to do business elsewhere, rather than have to answer questions like these?

When Sareh lands at the Phnom Penh International Airport, she is met by the Kosal brothers, owners of the three factories. The brothers frantically explain that the explosion isn't their fault, and that the fireworks factory next door is widely known to have failed a long series of safety inspections. They allege that the owners of that factory have paid bribes to pass inspections.

But the real surprise comes in the form of a visitor to Sareh's hotel. Soon after arriving, the front desk calls to announce a visitor. It is Son Chin, a local labour activist. Chin is clearly angry about the explosion, and about the deaths. "Things have got to get better for workers here! You are a good company. I know you care about workers' safety," said Chin. "Just make me one promise. Promise me you won't pull your business from Cambodia. Our workers need the work very badly, and the factories you have contracts with are better employers than most. Please don't take their jobs away."

Questions

1. What leadership characteristics does Sareh need in order to handle this issue effectively?
2. Whatever decision Sareh makes regarding future manufacturing facilities and contracts, what steps should she and the company take to prevent this type of disaster in the future?
3. What decision do you think she should make? Why?
4. How should Sareh organize her crisis response?