

RESOLVING ETHICAL BUSINESS CHALLENGES*

Demarco just graduated from Texas University and had been snatched up by Xeon Natural Resources Incorporated, one of the top natural resource extraction companies in the world. Because he was Brazilian, bilingual, and spoke several specific Brazilian dialects, his stationing in Brazil was a no-brainer. Xeon was deeply involved with a project within the Brazilian rain forests in mining an extremely valuable element called niobium. Niobium is a rare earth element essential for micro-alloying steel as well as other products such as jet engines, rocket sub-assemblies, superconducting magnets, and super alloys. Brazil accounts for 92 percent of all niobium mined, and Xeon Natural mines much of the element in Brazil. Xeon discovered a large niobium deposit and estimates the corporation could make an additional \$5 billion in profits over the next two decades.

Demarco soon discovered he was one of several employees assigned to explain to the indigenous population that Xeon wanted to extract the niobium from the lands given to the tribes by the Brazilian government. The land was, by decree, compensation for native minorities. Having spent several months with various tribes, Demarco learned they were communities that had not been altered by Western culture. It was obvious to Demarco if Xeon began strip mining the area, thousands of “outsiders” would be brought in and would impact the cultural heritage of the indigenous populations.

Demarco discussed this with his boss, Barbara. “Yes, I understand all you are saying, and I agree this will change their lives as well as their children and grandchildren’s lives,” Barbara said. “But think of it this way, their standard of living will be greatly enhanced. Schools will be built, hospitals will be available, and there will be more employment opportunities.”

Demarco responded, “While the tribal leaders want a better life for their people, I feel they are being steam-rolled into accepting something they don’t understand. I’ve talked to some of the tribal leaders, and I am positive they have no idea of the impact this will have on their culture. We have many stakeholders involved in this decision, including Xeon’s employees, the tribes, the Brazilian government, and even communities beyond the tribal lands. I think we need to reevaluate the impact on all of these stakeholders before proceeding.”

Barbara sighed. “I think you make some good points, and I am concerned about these different stakeholders. But you should understand we already have buy-in from the key decision makers, and our business

depends upon being able to mine niobium. We’ve got to continue this project.”

Demarco returned to the camp. The other specialists questioned him about Barbara’s reaction. As he spoke, some of the specialists became concerned about their jobs. A few admitted they heard the local and national media were raising awareness about the negative impact mining this mineral could have on the indigenous populations.

A few days later, Demarco heard that some of the tribal leaders had new concerns about the project and were organizing meetings to obtain feedback from members. Demarco approached one of the mining specialists who studied the potential impact of strip mining the land. The specialist said that while he understood stakeholder interests, he felt the extraction methods Xeon used were environmentally friendly. While creating a temporary disruption in the ecosystem of the rainforest, Xeon’s strip mining methods provided an opportunity for restoration. In fact, strip mining that was done in the United States before there were any regulations provides a good example of how the forest can recover and grow back to its original condition.

Demarco knew despite the potential benefits, there would still likely be opposition from the tribal community. Additionally, no method of strip mining is entirely environmentally friendly. Demarco realized even with restoration, the lives of the indigenous tribes would be forever altered.

Demarco was to meet with tribal elders the next day to discuss their concerns. He understood that whatever the decision, it would negatively impact some stakeholders. On the one hand, the tribal members might compromise their traditional way of life and the environment would be harmed if the strip mining project began. On the other hand, Xeon’s future and the future of its employees depended upon being able to mine the niobium. It could also benefit the tribes economically. He was not sure what he should tell the tribal leaders.

QUESTIONS | EXERCISES

1. How should Demarco approach this issue when he meets with the tribal leaders?
2. What should be the priorities in balancing the various stakeholder interests?
3. Can the CEO and board of directors of Xeon continue operations and maintain a stakeholder orientation?

*This case is strictly hypothetical; any resemblance to real persons, companies, or situations is coincidental.