



Providing Florida's Finest Oranges: A Case Study

2009 University of Florida SIFE Business Ethics Case

Background: *The Devil's Highway*, a nonfiction book written by Luis Alberto Urrea in 2004, has brought attention to the treacherous journey illegal immigrants take traveling into the United States. Many immigrants from Mexico attempt to cross the border into the U.S. because they can work in factories, and hold agriculture and service jobs for less than minimum wage. Because undocumented workers will sometimes work for \$4.50 an hour or less, they are obviously the preferred employee to many companies. In 2004, the New York Times claimed that there were an estimated 8 million to 12 million illegal immigrants in the U.S. and in 2006 the NYT claimed that six million to seven million were working, making up five percent of the entire workforce in 2006. In *The Devil's Highway*, Urrea states that "Undocumented immigrants contribute at least \$300 billion per year to the U.S. gross domestic product," but on the other hand, the Center for Immigration Studies calculated in 2001 that a single illegal Mexican immigrant costs the United States over \$55K a year in welfare, medical services, school services and other various outreaches.

Employers who knowingly hire these undocumented workers for cheap labor have consistently been the main drive for immigration from Mexico. These employers have suffered few consequences over the years, but because of the popularity of *The Devil's Highway* and the newly enforced government regulations, companies have to wonder if by hiring illegal immigrants, who are they actually helping? Is it worth the risk?

Company and Corporate Philosophy: Gator Grove is one of the most successful orange growers in Florida, distributing oranges all over the south east. Although it is not the largest orange company in Florida, the 30,000 acres of groves are well-known and profitable. Gator Grove remains smaller because the company wants to focus on quality instead of quantity. Gator Grove is passionate about ethically growing and harvesting only the finest oranges for their customers. The company aims to treat their employees with the utmost respect and care and tries to improve the workers lives as they improve the consumer's daily lives. They are accountable for every orange from the grove and want their customers to expect only the best. Gator Grove strives to make decisions so the company will thrive and the consumers will be satisfied for years to come.

The Situation: Gator Grove has been using a contractor for 10 years to pick the oranges each year, but the Executive Board has been asked by the Board of Directors to reevaluate this approach for this upcoming season. The attention on undocumented workers in the U.S. is growing steadily, and the government is taking a larger role in enforcing legal practices. Gator Grove doesn't investigate the workers that the contractor uses. This has become an extremely risky strategy for the company that could have financial and ethical consequences in the near future.

Two hundred temporary workers are needed for three months. There is a shortage of U.S. workers willing and able to complete this job, so outside sources are the only option for Gator Grove.

Your Options: Your team consists of four members of the Executive Board: the CEO, CFO, CMO and HR Director. The duties of each position are as follows:

Chief Executive Officer: As the CEO, you are responsible for the success or failure and the overall strategy of the company. You are primarily responsible for carrying out the plan and policies established by the Board of Directors. The CEO is the spokesperson for the company and you are held accountable for meeting the Board's expectations for organizational performance.

Chief Financial Officer: As the CFO, you are responsible for presenting and reposting accurate and timely financial information of Gator Grove. You are also responsible for the company's present financial condition and you must decide how to invest the company's money, taking into consideration risk and liquidity.

Chief Marketing Officer: A CMO's primary duties include responsibility and oversight of advertising, brand awareness and public relations. You must keep track of which strategies are working and receiving a positive image about the company, but also be able to be flexible to change a strategy if it is unsuccessful.

Human Resources Director: You must have excellent verbal and oral communication skills to work closely with potential and current workers to enhance moral and productivity, limit job turnover and help increase performance and improve business results. The HR Director is thoroughly familiar with the company and is able to discuss wages, working conditions and promotional opportunities.

Each group will prepare a presentation to Gator Grove's Board of Directors that includes a clear plan and recommendation regarding which option Gator Grove should choose and why. You should take into special consideration the financial and ethical impact the option will have on the company, the workers and Gator Grove's customers.

To assist you with your decision, the CFO has provided the following financial data:

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| Sales Revenue per unit* | \$7 |
| Cost of Raw Materials per unit | \$3 |
| Sales revenue minus cost of raw materials* | \$4 |
| Total Number of Units | 1.5M |
| Other Expenses (permanent worker salaries, machinery, overhead, etc.) | \$3.3M |
| Variable Expenses* | Depends on H2A or Contractor |

*1 unit=1 crate of oranges

* Variable Expenses consist of the wages you must pay for picking the oranges. This occurs once a year and lasts for 3 months. It requires 200 workers.

*Raw materials include seeds, fertilizer, soil etc.

1. Use H-2A Program: The H-2A program is a temporary agricultural program for employers who anticipate a shortage of domestic workers to bring nonimmigrant foreign workers to the U.S. to perform seasonal agriculture labor. Many forms have to be filed with the federal government and this legal way of picking the crop is guaranteed and dependable. The responsibility of the workers is that of the company, which is overseen by the government. The process of hiring labor goes through all of the legal and proper channels and the workers are paid comfortably and treated well.

A housing complex must be built or available to the workers, as well as three meals a day provided for each worker. The workers must be protected with Worker's Compensation Insurance and they are paid the same amount as U.S. workers. The costs attached to using the H-2A program are extensive and this is one of the reasons why Gator Grove has not used the H2A program.

More companies are switching to H-2A program because of the long-run benefits of the housing developments and the labor security that it provides. When the H2A program is used, the company is assured that the work will be reliable and lawful.

If you choose this option, keep in mind that at this time, the jobs of all four members of the Executive Board are on the line. Each member of the Exec Board is paying tuition for at least one child, and is struggling to pay off mortgages and support their accustomed family lifestyles. If costs increase, their annual salaries could possibly be reduced by 25%. The Executive Board is also aware that the Board of Directors has candidates lined up to replace them if costs increase past their satisfaction. During this struggling economy, the pressures of losing a job are causing even more stress and tension within the company to keep the Board of Directors content.

Costs to Consider with H2A

- Costs \$350K to build a housing complex for workers.
- Pay workers \$7.50 per hour. Required to pay workers for 8 hours each day for 5 days a week, even if the work is not available.
- Costs \$55K to purchase a bus to transport the workers to and from the work site.
- Must hire a bus driver for \$35k per year.

2. Hire a contractor: When a company hires a contractor, the contractor has complete control over who picks the crop. The contractors can be thought of as crew leaders who are hired to gather groups of workers to make sure the appropriate labor is completed. It is possible that they may not have a legal permit or verified documentation for the workers. Using a contractor is the cheapest way for a company to harvest a crop. The fees include the flat cost for the contractor and the amount for each picked crate. This has been the preferred method for smaller companies because of the cost-efficiency.

The preferred worker for a contractor is an undocumented worker. The contractor can pay them minimal wages and is confident that the workers are grateful to work long days. The job that the contractor can provide to the undocumented workers is a desired position and the workers know that the more hours they work, the more money they can make. This situation is ideal for both the contractor and the undocumented worker as they help each other in ways that no other option can present.

By hiring a contractor, the company is potentially supporting and motivating immigrants to leave their families, risk their lives, and illegally cross the border. Many who dream to work in the U.S. for only dollars an hour do not reach their destination because of the hardships of the journey. A company who hires a contractor that pays undocumented immigrant workers supports the criminal operation of human smuggling, an operation that consists of treating humans as cattle. This operation is comprised of violence, trickery and degradation.

On the other hand, by using undocumented workers, the company is giving them a chance at a happier life. Many immigrants who would never have the opportunity to earn this income in their own country send money back to their families who would not otherwise have a source of income. The jobs picking oranges that American workers quickly turned down are the windows of opportunity for many immigrants and the contractors give them this chance for a future. (For more information on this subject, please refer to pages 51-53 in *The Devil's Highway*.)

If you choose this option, remember the risks involved. The U.S. Immigration and Customs Enforcement (ICE) launched a new audit initiative on July 1, 2009, by issuing Notices of Inspection (NOIs) which alert business owners that ICE will inspect their hiring records to determine if they are complying with employment eligibility verification laws and regulations. In April, ICE implemented a new strategy to reduce the demand for illegal employment by auditing and investigating employees suspected of knowingly employing illegal workers. Many companies are threatened by this recent enforcement because if the contractor gets caught, there is no one to pick that season's crop and the company loses their oranges.

Costs to Consider

- Pay 3 contractors \$120k which includes transportation and housing for the 200 temporary workers
- Pay workers \$.20 per unit
- Possible penalty fee of \$550K

Factors to Consider:

1. You may not use external data in quantifying your financial information. You may make creative suggestions and assumptions, both of which should be clearly identified in your presentation.
2. This case has been developed in conjunction with the University of Florida's First Year Common Reading 2009 Program, which features ***The Devil's Highway*** by Luis Alberto Urrea. This text provides powerful background information about immigration from Mexico to the U.S.

Administrative Information:

1. **Executive Summary-** Please prepare and submit three printed copies of a one page executive summary (10 point font, 1" margin minimum) for the judges to review. There is plenty of information online to guide you if you are unfamiliar with how to best write this type of document.
2. **PowerPoint presentation-** You will have two minutes to set-up, and eight minutes to present your case with no Q&A session. If you are selected to advance to the next round, there will be a three minute Q&A session. It is strongly recommended that everyone in your team have a speaking role.

3. **Equipment-** The equipment available to you will be exactly what is normally in your Warrington Welcome classroom. You may burn your presentation to a CD, save to a flash drive, e-mail it to yourself, etc. just so long as you are certain you will be able to access it. I strongly encourage you to test out your presentation in the classroom before the day of your presentation. If selected to move on in the competition, you will not be allowed to alter either document.
4. **Dress code:** Business casual.
5. **Judging Method-** You should format your presentation to best showcase your proposed solution. You can assume the judges are familiar with the case, so do not spend too much time rehashing the given information. There is no right or wrong solution or format to the presentation; you will be judged solely on how well you sell the judges on the solution you propose. Past experience has shown that winning teams will present a polished presentation and will dedicate several hours outside of class.

Dates:

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| In-class presentations | Week of October 19 (during your WW class) |
| Semi-Finals (18 teams) | Tues, October 27 @ 6:00 pm in Matherly Hall |
| Finals (6 teams) | Tues, October 27 @ 7:30 pm in Bryan 232 |

Prizes:

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| 1 st Place Team: \$500 | 2 nd Place Team: \$250 |
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Please carefully consider your options, and within an ethical framework present your findings in writing to the board of directors. Should administrative questions arise, please feel free to send inquiries to Chris Azqueta at cazqueta@ufl.edu

Good luck!