



# European Forum on Paradox and Pluralism

Nova SBE Twinning Project

MANAGING PARADOX MINI-CASE SERIES

# Complex managerial dilemmas: Engaging with the XPCC

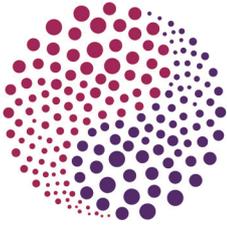
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## THE CASE<sup>1</sup>

The Xinjiang Production and Construction Corps (XPCC) is a “nearly 3m-strong paramilitary-style business in Western China”. It was constituted in 1945, facilitating the movement of demobilized soldiers from the Han majority to an area populated mainly by Muslim Uighurs. The XPCC includes a 100,000 militia, created to fight extremism in the region. The XPCC provides the world with a variety of goods. 400,000 XPCC farmers harvest about a third of China’s cotton. Others are part of the tomato export industry. The Corps also produces “pyjamas to passata” and its products are distributed through global supply chains.

The U.S. State Department alleges that the XPCC uses forced labor, establishing a connection between the XPCC and human rights abuses in the Chinese province in which at least 1m Uighurs and members of other ethnic minorities have been imprisoned in detention camps. The U.S. advises firms to sever any linkages they might have with the XPCC within and outside the autonomous region. Supply chain auditors have raised numerous “red flags”, namely that Uighurs have been transferred to factories in other parts of China.

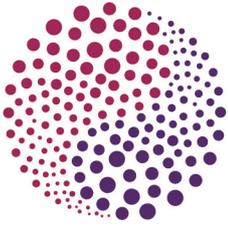
Global firms, with deep supply chains, have long cared about the treatment of workers and sourcing of materials in several parts of the world. The situation in China, though, is especially complex, given factors such as:

- The size of the economy
- The power of the state
- Tensions with the U.S.
- The recent embrace of a punitive form of diplomacy, imposing sanctions on countries whose actions are disapproved by Beijing<sup>2</sup>.

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<sup>1</sup> This case was mainly based on: *The Economist* (2020). Supply chained and bound. August 22, p. 52.

<sup>2</sup> Anderlini (2020)



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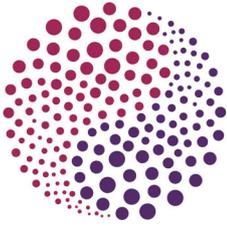
In face of the circumstances, retailers such as PVH Corp (owner of the brand Calvin Klein and Tommy Hilfiger) have decided to cease business with XPCC. Western firms face several questions:

- How to prove that their respective supply chains are free from forced labor if audits in Xinjiang are “taboo”?
- How to navigate the situation considering potential reactions from Beijing and Washington?
- How to ensure that any audit excess will not make life even more complicated to the Uighurs?

Additional issues that complicate matters further:

- The quality of cotton in Xinjiang is high: whiter and less knotty than cotton from other parts.
- Most companies, even if sympathetic with the cause, don't want to completely pull out of the big Chinese market.
- Companies may feel that they are being used by the state to do their political work. This can create tensions between companies and states.
- Given the Chinese government sensitivity to criticism, Western companies may try, with their trusted Chinese partners, to conduct their negotiations with the Chinese government.

Two final points should be considered. First, as happened with Apple regarding conflict minerals, organizations may test DNA to verify the source of cotton. But a T-Shirt is very inexpensive in comparison with an iPhone. Companies may also consider ensuring that the supply chain does not include organizations with Uighurs in its workforce to make sure that the problem of forced labor is solved.



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This case raises some important questions for reflection:

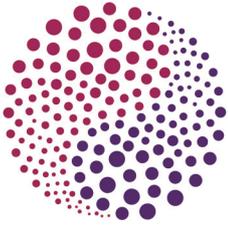
- Analyze the case considering the definition of complicity in human rights abuse.
- Would the measure of removing every Uighur from the workforce be in the interest of the Uighurs themselves?
- What dilemmas do companies face in situations similar to what is at stake here?
- When analyzing the case of Google in China (censorship pressures), Brenkert (2009, p. 453) argued that “there are situations in which people in business must confront the possibility that they must compromise some of their important principles or values in order to protect other ones.” Read this paper and analyze the XPCC case in light of the framework suggested by Brenkert to assess the ethicality of companies’ decisions.
- Which moral compromises may companies face in dealing with the XPCC case?

## Box 1

What is complicity in human rights abuse?

From “[Embedding Human Rights into Business Practice](#)”, a joint publication of the United Nations Global Compact and the Office of the High Commissioner of Human Rights (p. 19):

“Broadly speaking, corporate complicity in human rights abuses means that a company is participating in or facilitating human rights abuses committed by others, whether it is a state, a rebel group, another company or an individual. A company is complicit in human rights abuses if it authorizes, tolerates, or knowingly ignores human rights abuses committed by an entity associated with it, or if the company knowingly provides practical assistance or encouragement that has a substantial effect on the perpetration of human rights abuse. The participation of the company need not actually cause the abuse. Rather, the company’s assistance or encouragement has to be to a degree that, without such participation, the abuses most probably would not have occurred to the same extent or in the same way”



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## Useful sources

Responsible Sourcing Network (<https://www.sourcingnetwork.org/>)

Anti-Slavery International (<https://www.antislavery.org/slavery-today/modern-slavery/>)

Anderlini, J. (2020). China ramps up its punishment diplomacy. *Financial Times*, 24 September, 19.

Brenkert, G. (2009). Google, human rights, and moral compromise. *Journal of Business Ethics*, 85(4), 453-478.

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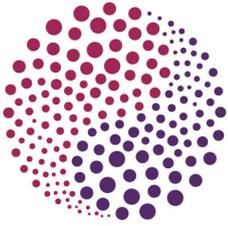
Scherer, A. G. & Palazzo, G. (2007). Toward a political conception of corporate responsibility: Business and society seen from a Habermasian perspective. *Academy of Management Review*, 22(4), 1096-1120.

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## TEACHING NOTE

The case indicates how complex some decisions may be. As the case indicates, decisions are difficult, and solutions can raise their own problems. The case can be used to illustrate:

- The **political dimension of management** and the business-society nexus, namely the bonds between states and markets, as well as the inextricable links between managerial and political rationality.
- For **marketing** it can be used to discuss how to produce good products at low prices, while respecting corporate social responsibility.
- **Global governance**, the case can be used to explore links with the UN's SDGs namely decent work.
- For **leadership** it illustrates the sheer complexity of some managerial decisions. As the case illustrates every decision comes with a significant cost. Doing nothing can be problematic about very form of action will raise its own problems.
- **Moral dilemmas** organizations and leaders face.
- For any one of us, individually, the case invites us to think about our consumption habits as well as the implications of our choices.

### Areas:

Social responsibility, supply chains.

### Keywords:

China, Xinjiang, forced labor, international management.