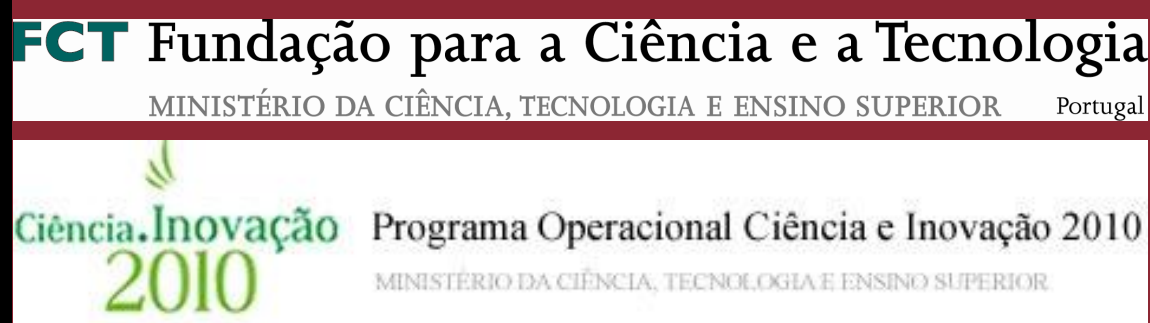


The process of closing down a factory: ethical behaviour in business

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INTRODUCTION

In the present study we analyse the stakeholders' perceptions regarding the process of closing down a SME shoe factory in Portugal.

In Portugal, the process of closing down a firm requires official communication of the trade association, the trade union, an employment-ruling government-body (DGERT) and, obviously, the workers themselves. The firm will close down two months later. During that period the workers have 2 days per week to look for a job. At the end of this period they will receive financial compensation as predicted by law.

Generally speaking the perception of the firms stakeholders regarding manager's behaviour in the process of firms' closing down is a negative one. This situation is particularly relevant in a country where companies often take fraudulent bankruptcy: (1) the focus upon short term strategies in order to fulfil individual needs for power, achievement and success; (2) the inefficiency of the judicial system benefits those who prevaricate and strongly penalize debtors that have to wait years to receive their financial reimbursements.

Therefore, it seems less of a burden for managers and less costly for the companies owners to break the law.

In a time when Codes of Ethics, corporate social responsibility and corporate governance are in fashion we might ask what is the relevance of business ethics and responsibility in this context? We understand Ethical Behaviour as the acknowledgment of the others face (Levinas, 1995) which presuppose the notion of infinite responsibility.

The case study will show how important is ethical corporate responsibility in the process of a business ending for the stakeholders involved.

THEORETICAL BACKGROUND

We would like to explore in outline an ethical perspective by leaning on, and borrowing, some insights from the philosophy of Levinas, in terms of which it would make sense to talk about corporate responsibility in ethical domain. To this purpose, we rely on some of the key insights of the philosophy of Levinas, especially his fundamental notion of infinite responsibility for the Other, to construct a plausible account of corporate responsibility. It may be just this kind of philosophical challenge, offered by Levinas, which might ultimately succeed in changing the cultural ethos in which corporations work. According to Levinas's philosophy, ethics is understood as first philosophy, rejecting the dominant view of individual responsibility which is based on a sense of the self as a spontaneous being. Instead, Levinas sees the self as a being in relation to an other, who is not myself (that is, the same), but whose strangeness and whose irreducibility to the I (my memories, my thoughts, my feelings as well as my material possessions) calls precisely into question my spontaneity and autonomy for free action.

The face (*le visage*) is irreducible, being primordial, the Other's face resists all characterisation and classification. One could not fix the face in a picture or even in our memory; the face is expression, discourse. The Other's face appears as something new. In this sense, the Other is our teacher; the face teaches us the deep sense of our own identity and infinite responsibility.

The face of the other calls us to justice and to justification. The other commands: "Thou shalt not kill", "Thou shalt love thy neighbour as thyself", "Thou shalt do all that thou canst to help the other", in spite of the defencelessness and powerlessness of the Other. The face, however, should not be understood merely in terms of physical characteristics. But it remains true that physiognomy crucially renders communication possible between the other and myself.

In speech (communication) is the Other. In speaking, the Other is solicited, called upon to respond. In speech the I and the Other solicit each other without appropriation. The time of infinite responsibility is the time of speech where the other has the first place. It is a lapse, a diachronical moment, because responsibility did not start at any particular moment; it was certainly not the result of a choice or a contract. It is, *par excellence*, the ethical moment of the discovery of the Others face.

Encounter with the Other which occurs in face-to-face dealings with other human beings also points beyond itself towards absolute otherness, recognition of which is recognition of genuine transcendence, beyond Being, or Otherwise than Being.

Ethics as the encounter with the other means that one's fundamental ethical relation to the Other when one encounters it as face is constituted by one's infinite responsibility for it.

METHODOLOGY



The action described here is located at the North of Portugal, in Aveiro district. This is a case of shoe family owned company (SA limited liability where equity was held by two shareholders) ended the production in April 2006.

In Portugal, there is a negative feeling towards the process of ending business, this is caused by the action of the firms which leave the country or close the plant. In fact, since 2003 to 2007, 65 firms end their business which represents 2582 jobs lost (either by downsizing or closing down, Fig. 1 and 2) in the same region where our case was withdraw. The great majority of those firms did not reimburse their workers as required by law (Fig. 3).

Nevertheless there are exceptions. This study will focus on the analysis of a family owned business that when operating was pointed out as a reference in the sector and it was able to maintain its reputation throughout the process of closing down in 2006. Data was collected among different stakeholders: two former employees, two former suppliers, the two lawyers involved in the process, the union representative, the Mayor acting as the representative for the local community and the two managers involved in the process.

In addition, we collected several newspapers' articles reporting the cases of firms closing down.

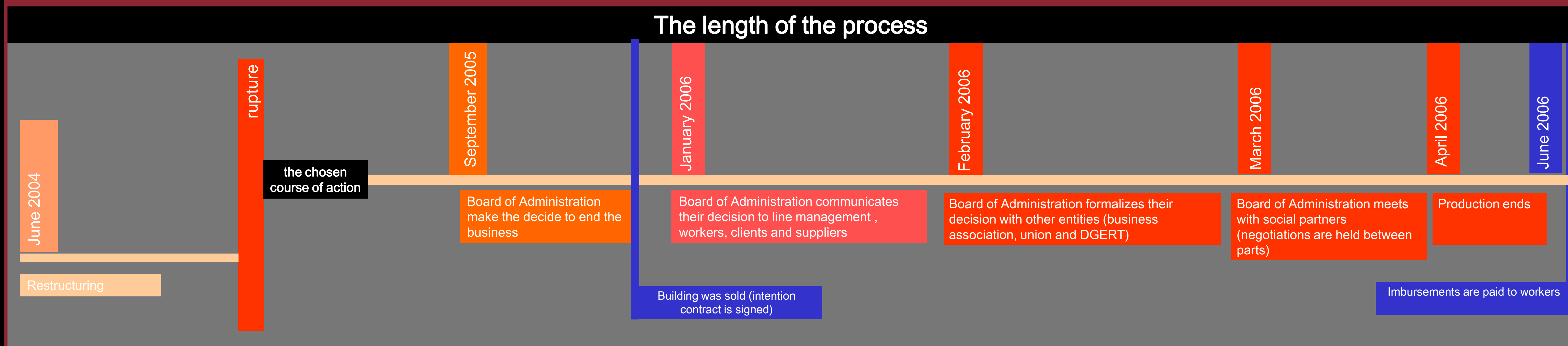
We used a semi-structured interview to gather information.

We were interested in understand how different stakeholders perceived it. Interviewees were asked to recall the main events and their feelings across the process of the firm's closing down, what was particularly relevant for them and others, what others would say, for example, at the coffee shop in the family circle.

In addition we ask to the managers | administrators why they decide to close the firm, how they implemented the decision,

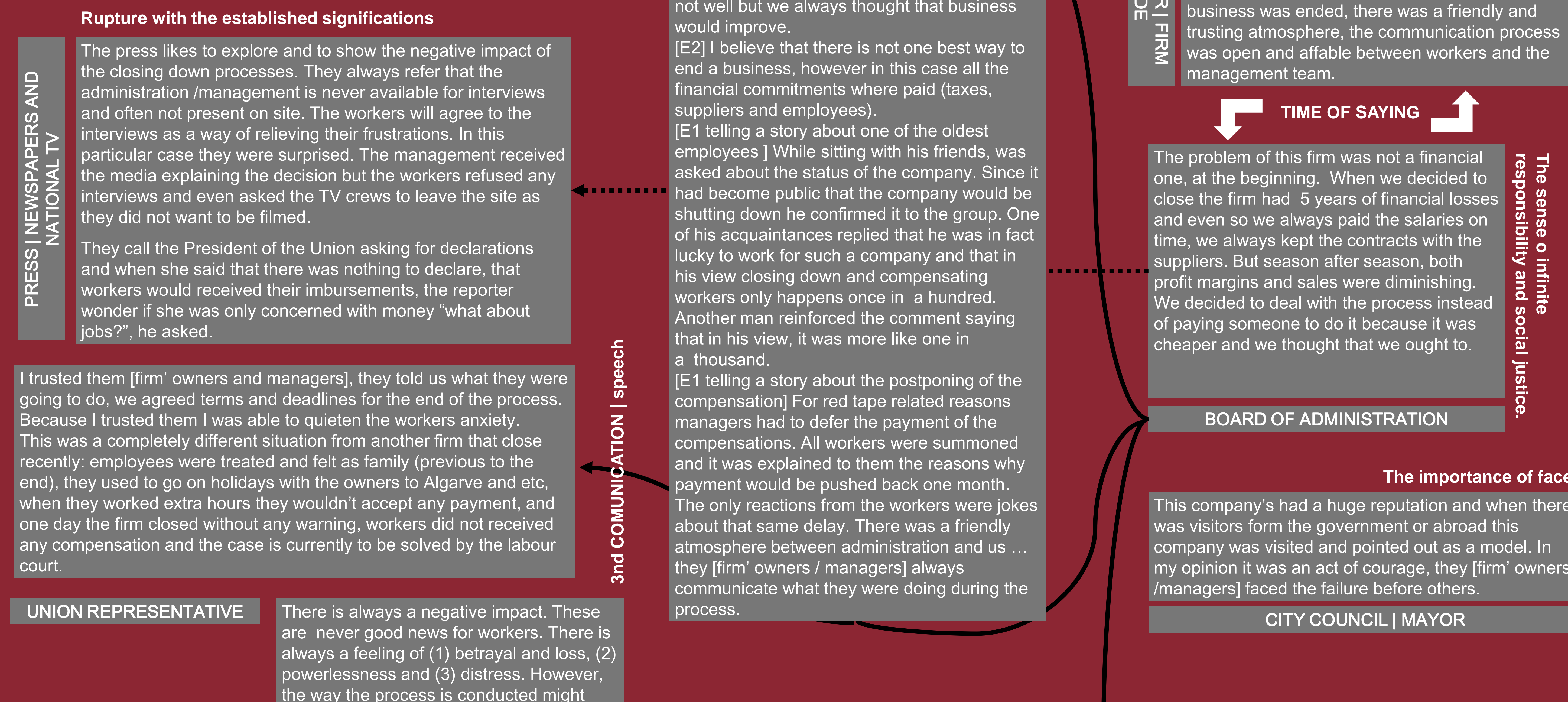
RESULTS & DISCUSSION

It took more one year between the decision to end and the stop of the production. Currently the liquidation process is still on going. The process is explained in the following graph.



Source: Basilius (2006) – *Despedimento Colectivo*. Arrifana. Carta.

The following map shows the data collected from interviews and its meaning regarding our theoretical framework. From our point of view, Levinas' ethics is meaningful to the understanding of the events described in the case presented in the current research.



PORTUGUESE CONTEXT IN SHOE INDUSTRY 2003-2007

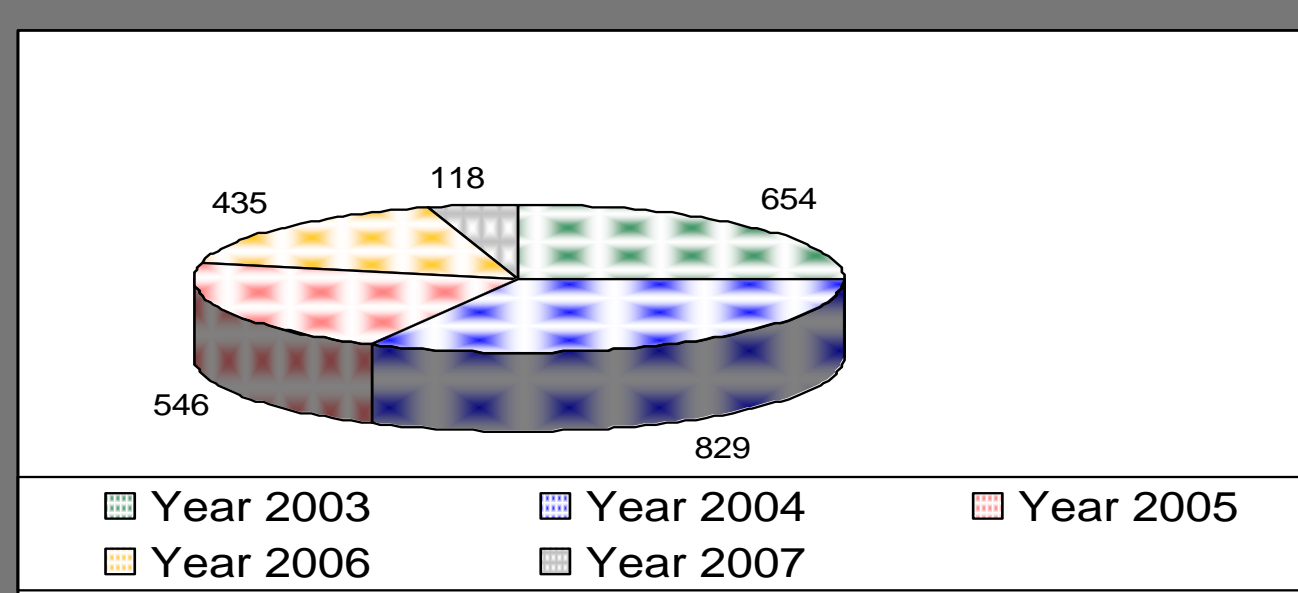


Figure 1 Closing down: number of workers who lost their jobs

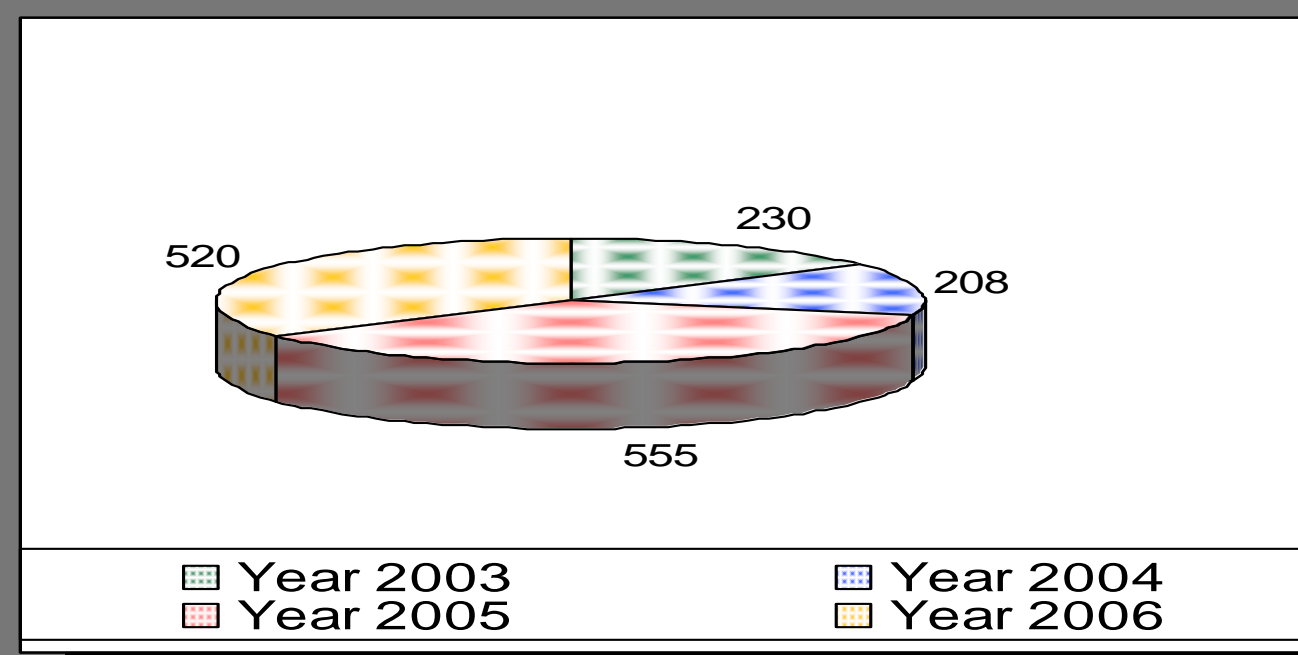


Figure 2 Downsizing: number of workers who lost their jobs

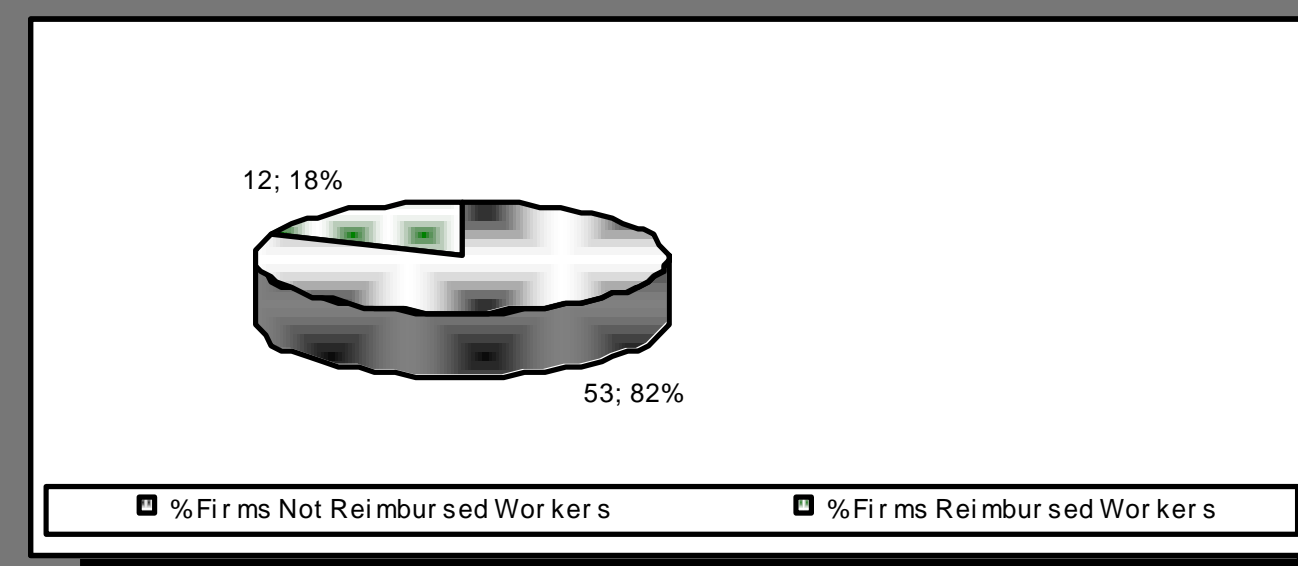


Figure 3 Percentage of firms that reimbursed workers

Source: Union of Shoe Industry Workers, 2007

FINAL REMARKS

- For this company the time of responsibility it is no confined to the legal figure of limited liability but it is the time of saying where the other has the first place.
- The company responded to the call of other with whom it had relations.
- The company took in consideration the fate of individuals.
- The social relations were not reduced to "human neutrality".
- The company speech is beyond the established order and significations.

In this particular context one could say that in spite of the negative impact of the firm closing down, the process was conducted according to justice which, in Levinas's terms means that duties to the others override rights and self-interest.

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