Ethical Dilemma nº 5

Area: Family Succession, Mergers & Acquisitions

Subjects: Company selling to a Multinational

Title: "Sweet" selling decision[1]

Part 1

One year ago, the famous food and beverage multinational "Engulf and Devour" approached Mr. Sweet, general manager of "Sweets for my sweet" and presented him a generous tender offer from his company.

"Sweets for my sweet" is a traditional local delicatessen producer, located in a small town, quite distant from the major consuming areas. The company was founded in 1950 by Mr. Sweets' uncle and employs around 200 people, most of them female factory workers.

"Sweets for my sweet" has good quality products, and a good business reputation. Its market share is around 10%. Customers' loyalty has been decreasing slowly but steadily. However, the company is still making money and has a reasonable financial situation.

Sweetie, Mr. Sweets only daughter, is working in the company, but she is far from being prepared to succeed him when he retires.

Mr. Sweet owns 60% of the company and two of his cousins own 20% each. He is in his early sixties and feels inclined to accept the offer.

1. What do you think of the situation?
2. Which are the main aspects that Mr. Sweet should think about?

   (Discussion in groups + debate)

Part 2

Mr. Sweet presented the situation to his fellow partners and they gave him "green light" to go ahead with negotiations.

After the second meeting, the buyers' representatives made it clear that "Engulf and Devour" prefers that Mr. Sweet leaves the company immediately after the transaction, but they don't bother to give him any explanation of this fact.

Mr. Sweet is feeling a little uncomfortable with this: he thought the buyers would want him to stay for a couple of years. In fact, he his convinced that it would be good for the business too, due to the strong links he has with the company's distribution network.

3. If you were Mr. Sweet, what would you do at this point?

   (Discussion in groups + debate)

1 Inspired by a true story.

Part 3

Meanwhile, Mr. Sweet heard rumours that, some years ago, "Engulf and Devour" bought a similar company in another country and closed it down a few months later. Apparently, most of the workers lost their jobs. For the moment, no one else at the company knows about it.

Mr. Sweet decides to directly ask the buyers' if they intend to close the factory in a near future, but doesn't manage to get a clear answer. When he asks for a guarantee that the factory will not be closed down, the buyers suddenly become nervous.

After a short internal discussion, they announce him that, should he maintain this demand, the value of the initial offer could drop down around 20%. On the other hand, if he "forgets" about it, they would be willing to pay an extra 10 % for the company. They also add that they might just agree to contract him with a nice salary for a 6 months period.

4. What are the main aspects to consider at this point of negotiations? (Remember to place yourself in the role of all the relevant stakeholders)
5. If you were Mr. Sweet, what do you think would be ethically acceptable in this case?
6. Would you be prepared to act accordingly?

   (Discussion in groups + debate)

Part 4: What happened after (Optional)

Mr. Sweet dropped down his demand and the deal was sealed. The company was suddenly shut down 9 months later, only 3 months after Mr. Sweets' departure. Consumers raised a strong boycott against "Engulf and Devour" at national level and the movement risks to spread out to other neighbour countries. "Engulf and Devour" had to organize a crisis committee to cope with the situation and are still trying to find an appropriate solution.