**Scenario**

**Problem-Based Learning (PBL) Scenario: AutoEdge**

AutoEdge is a leading national automotive supply company located in Detroit, Michigan. Founded by Jonathan McAlister in 1976, the company specializes in engines and transmission parts and has been supplying products to the three largest U.S.-based automakers for over 30 years. AutoEdge’s name is known by customers and leaders in the automotive industry for quality, dependability, and reliable products. In fact, despite the extra cost that is added to the automobiles, consumers appreciate the AutoEdge brand name and often make purchases because of it.

In 2005, AutoEdge’s board of directors decided that the company needed to make some drastic changes because of the high cost of labor, rigid American regulations, and increased competition from other engine and transmission part suppliers. Their solution was to gradually close all manufacturing operations in Detroit and begin outsourcing to a well-known factory in South Korea. The board reasoned that this change would allow the company to compete with the growing industry, meet the automotive manufacturing demands, and increase company profits. Some board members were skeptical about the move, however, because AutoEdge had built a reputation for high-quality, detailed craftsmanship, and they feared that transitioning the manufacturing operations overseas would cause quality to diminish.

For the next 5 years, this strategy proved successful. The company showed signs of financial growth and company profit.

However, in 2010, the company was found guilty of supplying products that failed quality tests. As a result, millions of automobiles had to be recalled. The recall was highly publicized, and the issue of poor quality products impacted negatively on American automotive companies. AutoEdge’s $51 per-share stock has fallen to $4 per share, and brand acceptance has come under scrutiny among even its most loyal customers. Although some economists blame these negative effects on the products, others believe that it had to do with the termination of AutoEdge’s Chief Executive Officer, Fred McFadden.

Lester Scholl, Chairman of the Board of Directors, has called an emergency meeting to discuss AutoEdge’s short-term and long-term strategies. Among other things, they need to discuss the possibility of continuing production overseas or returning it to the United States. Lester and others on the board are well-known for being financially conservative and risk-averse. Because the American economy is experiencing high unemployment, low interest rates, low GDP, and low inflation, it might be sensible to make the change. To some extent, they believe that these macroeconomic factors can be used to their advantage. They realize the immediate challenges such as the brand damage, the growing competition, and the financial challenges the company is facing require immediate action. A new strategy must be formulated quickly to save the company from bankruptcy.

You have been hired by AutoEdge’s board of directors as a research analyst. Primarily, your job is to list and describe some of the legal, cultural, financial, and economic factors that AutoEdge needs to consider when deciding to either stay in South Korea or return to the United States. Because Fred McFadden was recently terminated, you will work directly with the board until a new CEO is named.