

Business Strategies or Con Games?

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Abstract

Multinational Corporations seem to greater responsibility than domestic businesses about adherence to ethics in business. The lack of business ethics in the market, is the reason the world economy is presently in crisis. Organizations now recognize the positive effects and outcomes of being ethical, humane and considerate. They have a competitive edge in the market, because of the honesty they show in their services. A morally upright reputation attracts better staff and helps in retention. Though ethics are legally binding in most cases, self-monitoring, transparency and accountability will go a long way in establishing trust of the consumers.

This paper explores the code of ethics in business and the ethical management practices

Key words: Business ethics, code of ethics.

Introduction

Business ethics are the philosophical core of any business and their adherence is crucial for economic development. Peter Cooper – the great American Investor says "I have always recognized that the object of business is to make money in an honorable manner. I have endeavored to remember that the object of life is to do good."

Business ethics are more than moral values and principles that determine our conduct in the business world. It refers also to the commercial activities, either with other business houses or with a single customer. They can be applied to all aspects of business; from generation of an idea to its sale. Business uses the society for its resources and functioning, thereby obligating it to the welfare of the society. While the objective of all business is to make profits, it should also contribute to the interest of the society by ensuring fair practices. Many global businesses, including most of the major brands that the public use, do not think highly of good business ethics. Many major brands have been fined millions of dollars for breaking ethical codes prescribed by business laws.

Thompson & Strickland, (2003, p. 65) say that "a company has ethical duties to owners, employees, customers, suppliers, the communities where it operates, and the public at large." According to Whetton & Cameron (2005) leadership is the key success for organizational change as well as the key to aligning organizational systems and follower behaviors around a new organizational vision. Ethical leadership practices are a necessary prerequisite for organizational effectiveness (Ausguien, 2001). In addition to Anti- harassment, companies need to develop policies and procedures to prevent retaliation against individual who file complaints of harassment or discrimination or who participate in their investigation (Zimmerman, 2002). The study of

business ethics and its implications for different stakeholders have seen tremendous growth in the past few decades. Business ethics, according to the literature has been entrenched with the philosophical details of Ethics (Trevino & Nelson, 1999). Ethics has been defined as ‘the activity of examining the moral standards of a society, and asking how these standards apply to one’s life and whether these standards are reasonable’ (Velasquez, 1998; p. 11).

The literature on business ethics is divided on its views about the motivation and reason for businesses to have an ethical dimension. Drawing upon Harrison (2001), there are two major schools of thoughts, firstly those who suggest that firms are profit generating institutions and therefore business ethics is yet another way to attract customers, secondly those who support corporate conscience and intrinsic motivation for the adoption of business ethics. Business ethics has been considered very subjective in nature and according to Paul (2001) is considered a function of time and culture. It has been established that with the passage of time business ethics have evolved and also that the cultural values and norms drive business ethics within national and regional boundaries. One of the major studies regarding the national values has been conducted by Hofstede (1983). According to this research, which was only based on four indicators i.e. individualism, power distance, uncertainty avoidance and masculinity, there is a great deal of differences among values across different nations and consequently the business ethics. Globalization combined with standardization has made businesses financially efficient but at the same time poses questions regarding the standardized codes of business ethics across national boundaries. Vinten (1991) has divided the business ethical issues at different levels i.e. international business, domestic business and professional ethics. At the international level ethical issues include free-masonry and socialism versus capitalism; at domestic level these include religious dimensions, social marketing and ethical education; and lastly at the individual level these include bribery, corruption and data protection (Papers4you.com, 2006).

A Code of Ethics

Organizations implement the code of ethics in their company polices, which they implement during induction and regular training. A Code of Ethics is generally a more blanket statement of values and beliefs that defines the organization. It is for transparency in:

- a) Company's assets, funds and records
- b) Conflict of interest
- c) Management and employee practices
- d) Information on competition

Ethical Business Practices

Following are a few ethical business practices that should be followed to build good reputation and ensure smooth running of any organization.

- a) Investors: Ensuring safety of their money and timely payment of interest.

- b) Employees: Provision of fair opportunities in promotions and training, good working environment and timely payment of salaries.
- c) Customer: Complete information of the service and product should be made available. Personal information of the customers should not be used for personal gain.
- d) Competition: Unscrupulous tactics, competitor bashing and wrong methods should be avoided while handling competitors.
- e) Government: Rules and regulations regarding taxes, duties, restrictive and monopolistic trade practices and unlawful activities like corruption and bribing should be adhered to.
- f) Environment: Polluting industries should ensure compliance with the government norms regarding air, water and noise pollution.

Meaning of unethical business practices

Following are some of the activities that come under the ambit of unethical practice:

- a) Resorting to dishonesty, trickery or deception.
- b) Distortion of facts to mislead or confuse.
- c) Manipulating people emotionally by exploiting their vulnerabilities.
- d) Greed to amass excessive profit.
- e) Creation of false documents to show increased profits.
- f) Avoiding penalty or compensation for unlawful act.
- g) Lack of transparency and resistance to investigation.
- h) Harming the environment by exceeding the government prescribed norms for pollution.
- i) Invasion of privacy used as leverage, for obtaining personal or professional gains.
- j) Sexual discrimination etc.

Unethical practices universally

Multinational Companies have long been under the scanner of those who advocate business ethics. Following is the case of Nestlé', who has been accused of unethical marketing practices, overcharged prices and unfair labour practices. In 1977, Nestle was criticized for using unethical marketing practices endangering consumer health to promote its infant formula in developing nations. A number of aid agencies called for the boycott of Nestle products and this protest continued right into the 1980s, when Nestle agreed to adopt the infant formula marketing code laid down by the World Health Organization and UNICEF. Although Nestle had a charter on infant formula, the company had violated the principles laid down in it. Nestlé's marketing strategy in developing countries was to distribute free samples to nursing mothers, thus getting the baby used to the formula very early in order to get a hold on its captive market. Unethically, Nestlé promoted the use of infant milk formula as a substitute for mother's milk. This unethical manner caused widespread infant malnutrition and susceptibility to infection, which even lead to infant death. Nestle was criticized for using genetically modified (GM) ingredients in its food products, and was

accused of dumping products rejected in Europe in developing Asian countries where the laws on GM products were either absent or less stringent.

Nestle launched bottled water, called “Pure Life” in some Asian countries like Pakistan and India (in 1998 and 2001 respectively). Nestle introduced bottled water, which provided safe clean water but priced it so high that it was unaffordable for the lower income groups. South Asian people could not afford to pay for water which is a basic human need and is sporadic and contaminated in South Asian countries. Nestle was one of the biggest purchasers of cocoa from Ivory Coast, a country in West Africa. UNICEF studies and International Labor Organization (2002) revealed that the workers on these plantations lived and worked in poor conditions. Most of the workers had been trafficked, making them practically slave labourers. Nestle purchased cocoa from these farms despite its awareness of the conditions of the laborers, thus making it a party to their exploitation. UNICEF and The International Institute of Tropical Agriculture (IITA) studies (2002) revealed that over 200,000 children were shipped to Ivory Coast and other cocoa producing countries in Western Africa from neighboring countries like Mali and Burkina Faso, to work on the plantations, especially during the harvesting of cocoa or coffee beans.

Another unfair labor practice was in Thailand. When a group of 13 workers, working in a sub-contracting facility of Nestle in Thailand, organized themselves to form a union, Nestle immediately cut the number of orders to that company and asked the company to put the unionized workers on indefinite leave with half pay. The workers were forced to quit because of their lowered pay (Manager 2001). In doing so, Nestle had clearly denied these workers their right to organize themselves to better their interests.

A number of Universities including New York University, University of Michigan, and McMaster University have canceled their contracts with Coca Cola because they believe evidence shows that Coca Cola is involved in unethical practices. The practices of the Cola companies are unjust and exploitative on a global scale. In the globalized world, communities must act globally to end such practices. A partial list of unethical practices by the Cola giants includes: The Global March against Child Labour found child workers in the production of promotional footballs for the company in Pakistan. Coca Cola had to pay \$190 million for racial discrimination of its black workers in the USA in 2000. Pepsico and Coca Cola have lobbied with the Congress to cut US funds to WHO after its report on the health effects of high sugar diets. In Africa Coca Cola did not provide relevant education and treatment on AIDS to its 100,000 employees until a public outcry in 2003. Dropping water levels and increasing toxicity in the water have affected agrarian livelihoods. It is a drain on the local and rural economies. Coca Cola has been guilty of tax evasion in various countries.

Wal-Mart managers are increasingly using cost-cutting measures in an attempt to maintain profits, and Wal-Mart employees are paying the price. The effect of this slowing of sales has been poor returns for shareholders. Wal-Mart’s stock has underperformed the stocks of unionized grocers including Safeway and Kroger, demonstrating that unionization isn’t a problem for companies that

have a healthy business model. Wal-Mart, as United States' largest employer, puts downward pressure on wages throughout the entire economy.

According to Hoover's handbook of American business, "in June 2001 a group of six current and former female Wal-Mart employees filed a sex discrimination lawsuit (seeking to represent up to 500,000 current and former Wal-Mart workers) against the company." (Hoover's Handbook, pg.907) The suit was filed because Wal-Mart failed to provide equal employment for women. In fact, there are over 70 percent of women working at Wal-Mart, but only a small amount of those women are managers. So, men are holding more management positions than women. In addition, "Wal-Mart is the nation's largest employer of women, but unfortunately they are being treated without dignity and respect." (www.arkansasnews.com) Nike has listed plants in various countries, the locations of which have previously been kept secret. The company employs 650 000 contract workers worldwide.

Unethical practices in India

Call Centers have become the new Sweat Shops in India today Major financial institutions such as the Washington Mutual, Inc are appeasing such practices, by setting up call centers in India to save costs and letting local mafia run them like labour camps.(ihatedell.net)

Coca Cola is a major threat to precious ground water resources which common people use for drinking and irrigation purposes. In Plachimada, Kerala, India water has dried up in a radius of 3 km from the plant site. This situation threatens to displace 20,000 local habitants, while at the same time the bottling plant only gives employment to 50 local people. Community groups in Mehdiganj, Kaladera, and Gangaikondan in India are also protesting dropping water levels owing to the companies activities. People across Rajasthan are well versed in rainwater harvesting, and many communities have been harvesting rainwater long before Coca-Cola started. In fact, the Coca-Cola company started rainwater harvesting initiatives in India as a response to the growing campaigns against its water mismanagement. The community in Kala Dera has long maintained that Coca-Cola's rainwater harvesting structures do not work. Even the TERI assessment, which looked at Coca-Cola's CSR initiatives in Kala Dera, notes that "all the recharge shafts that were randomly visited were found to be in dilapidated conditions." The company continues to announce its rainwater harvesting initiatives in India, even going as far as to announce that the company will become "water neutral" in India by 2009.

Coca Cola and Pepsi beverages were found to have 30 times more pesticides than the European Union standard. A High Court ruling (backed by a Supreme Court verdict) requires these companies to mention pesticide levels on bottles. The sludge coming out of Coca Cola plant has been dumped in neighboring communities in Plachimada, Kerala. BBC found this sludge to contain hazardous toxins including Cadmium and Lead.

In 2007, HUL (then Hindustan Lever Ltd) had to withdraw an advertisement, which showed a dark-skinned woman, who was neither getting a job or a boyfriend, suddenly becoming a talk of the town after she started using Fair and Lovely. The company tried to change this "*kaale ko gora*

bana de" positioning to try and show those who use Fair and Lovely are achievers in their real life. The next advertisement to hit the market showed a girl achieving her dreams of becoming a cricket commentator and finally meeting Kris Srikanth.

The Union Health Ministry, under the government of India is reportedly finalizing a statute for biomedical research. The Indian Council of Medical Research (ICMR), the apex body advising the government on medical research is reportedly working on a draft Bill which proposes the restriction. The Bill titled 'Biomedical Research Human Subjects Promotion and Regulation Bill' may soon be introduced in the parliament. Presently, there is no apex body to accredit investigators to clinical trials. Deaths during clinical trials are increasing in India in the recent years even as the country emerges to be one of the most sought-after destinations of human studies of experimental medicines. According to the figures collated with available information collected, as many as 308 persons died in the year 2009 till the month of August, reports said. The total number of trials registered in India was 158 in 2009, down by 30% compared to 229 in 2008.

The number of deaths was pegged at 288 in the year 2008, as compared to a 29% growth in 2008. In comparison with the 2008 figures when the number of trials registered showed a 29% growth rate, the death figures in the 2009 were higher. 132 people died while in clinical studies during the year 2007 even though the exact number of clinical studies registered that period when were not available. Prior to November 17, 2008 the number of clinical trials actually conducted in government/private hospitals are not available with the Central drugs Standard and Control Organization (CDSCO), as registration of clinical trial was voluntary. CDSCO has granted permissions to about 2000 clinical studies from the year 2004 till December 2009, reports said quoting official sources. Indian government has made registration of all clinical trials conducted in the country mandatory from 15th June 2009.

In April, the Indian government suspended Merck's cervical cancer vaccine Gardasil study in two states following reports of deaths of 4 girls and several complications. Gardasil was to be tested for its "acceptability and service delivery issues" in about 32,000 girls aged 10-14 in the southern Indian state of Andhra Pradesh and Western state of Gujarat. Gardasil vaccination programme is being conducted jointly with PATH, a Seattle-based NGO, the Indian Council of Medical Research (ICMR) and the two state governments. The vaccination drive is funded by the Bill and Melinda Gates Foundation. PATH-International, which is conducting the study for the maker of Gardasil Merck, an American pharmaceutical company since July 2009, has described the study as a "demonstration project." The human papilloma virus (HP) vaccine HPV vaccine Gardasil, meant to prevent cervical cancer among women, has been alleged to have led to the death of the four girls who were administered the dose in Khammam district of Andhra Pradesh. Besides the death, more than 120 girls, who were given the vaccination, have complained severe adverse reactions of stomach disorders, epilepsy, headaches and early menarche. The cervical cancer vaccination study is not part of the universal immunization programme of the country and PATH had claimed it was a promotional programme for the vaccine in India. ICMR had clarified that it was, indeed, a clinical trial, human rights NGOs alleged.

Conclusions

Good business ethics should be a part of every business. A business may be a multi-million seller, but it has to use good business ethics. If the company follows an ethical practice then it will be a win-win situation always to get the competitive advantage.

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