

Ethical audit report of tesco

[Finance](#)



**ASSIGN
BUSTER**

1. 0 Introduction According to Mamoria (2010), business ethics is defined as the businessman's integrity so far as his conduct or behaviour is concerned in all fields of business as well as towards the society and other businesses. Thus, the conduct or behaviour by businessman towards the society or others may have some conflicts and contradictions. The intention of this report is to highlight what and why the incidents happened. The incidents include the employment of illegal workers, price fixing, and poor product quality.

All these incidents tend to spoil the corporate' image of the company and also bring harmful effect to the communities and other stakeholders. So, Tesco took action by compensating to the victims, restructured corporate management system for better performances, and provided training programme and learning course for the employee. The ethical theories applicable to Tesco include Ethics of Justice, Ethics of Duty, and Feminist Ethics, which will also be discussed in this report.

Related article: How Tesco Communicates With Customers

In addition, the organization's best practices and values such as corporate socialresponsibilityand protecting theenvironmentwill also be discussed for the close up of this report. 1. 1 Background of Tesco Tesco, one of the largest retailers in the world started its business in 1919. The Founder, Jack Cohen started a grocery stall in East End of London. He made a profit of ? 1 from sales of ? 4 on his first day. After 5 years, in 1924. Mr. Cohen bought a shipment of tea from Mr. T. E. Stockwell where the " Tesco" brand first appearance.

Tesco expanded its business to petrol station in 1974, and became the UK's largest independent petrol retailer. It generated a total sales topped ? 1bn and doubled up to ? 2bn in 1982. In order to overtake the UK's leading grocer in 1990, Tesco made an aggressive marketing campaign to open more stores to gain its businesses. In 2000, Tesco continued to expand its business by product range from clothes to electrical and personal finance products when Tesco.com was launched (www.telegraph.co.uk). For more detail on its corporate background, kindly refer to Appendix I. 2. 0 Ethical Dilemmas

Ethics in general and ethics in business are very intimate to one another. Therefore one's personal ethics cannot be completely separated from one's business or organizational ethics. If you are a man of principles, then you are more inclined to insist on high moral standards in your business and organizations (Gavai, 2010). No matter how strong the corporate policy and system, ethical dilemmas still exist as everyone is looking for their own interest. Tesco, one of the biggest retailers in worldwide also faces the same problems such as illegal workers, price fixing and poor product quality. . 1 Illegal Workers Tesco was caught for hiring 30 illegal workers who were foreign students at one of its warehouses. These students were from 11 different nationalities; mostly Bangladeshi and Indian origins were alleged for working up to 3? times longer than their allowed working hour in visa permit (www.visabureau.com). They worked as much as 50 hours extra than the allowed hours of 20 hours per week. This incident happened after the UK border Agency enforcement team visited their factory on July 2012 in Croydon (www.immigrationmatters.co.uk).

The retailer took responsibilities by giving corporation to the investigation as they insisted they did not condone illegal working (www. telegraph. co. uk). Anyhow, employees were considered the victims in this incident as they had not been protected by the company's employment rules, where they were forced to work for extra hours. They faced big losses such as inability to further education and having a work-life balance. Employer did not protect for employee welfare, they abused employee right to work extra which prompted to produce high productivity, maximize the profit margin by saving cost of employee salary.

Supplier played a key role in this scenario, as it was the only party to transform information between the employers and the employee while in the process of recruitment. In fact, there was wrong information sending either to the employer or the employee. 2. 2 Price Fixing Tesco was accused in the scandal of the pricing fixing on its dairy products such as cheese and milk. The consumers from the Office of Fair Trading in UK reported that Tesco had charged them an additional of approximately ? 270M between years 2002-2003.

The huge amount was accumulated from 3 pence extra for a pint of milk, 15 penny extra for each quarter-pound of butter and the same amount per half-pound of cheese for every single purchased together with another 8 firms were implicated in the collusion (www. dailymail. co. uk). They were caught by breaching the competition act in synchronising the increased price with other competitors for certain dairy products. However, Tesco's competitors had admitted and OFT had been given discount on the fined amount as they had given cooperation in the investigation.

When the corporations did not practice fair competition which comply with the competition law, consumers were the victims because they did not protect in fair trading. This is clearly a strong violation of consumers' rights (www. savistamagazine. com). Shareholders in the corporations basically earned extra profits in this scenario. Whereas, this practices was not encouraged as they must obey the corporate law which was stated in the Corporate Governance. Government department plays a key role in this embarrass scenario; their intention was to protect the consumers.

Their penalty towards the corporations sent a clear signal to them not to violate consumers' rights. In fact, families in UK suffering big loss of expensed extra for the daily goods in unknowingly. They should be protected under the fair trading policy which ensured them to trade in worthiness. 2. 3 Poor Product Quality Tesco also received a punishment from the Bracknell Magistrate Court for selling 127 outdated foods in the Martins Heron branch on May 2011. The foods included beef-burgers, ham and chocolate cheesecake. This incident happened when a girl fell sick after consuming chargrilled chicken pasta salad.

This prompted Bracknell Forest Trading Standards officers to investigate the matter after receiving the complaint. The officers found that the foods had expired for 16 days during a visit to the store (www. getreading. co. uk). Trading Standards officers commented this matter as the “ worst case of out-of- date product” that they had ever seen (www. mirror. co. uk). The irresponsible behavior acted by the management of Tesco was strongly affected to the publichealth. It also brought suffer to the consumers from

physically and mentality. The shareholders were also facing lost when the management was careless in managing the stocks.

Besides the above, Tesco was discovered for selling 100 expired food products which included yoghurts, fruit smoothies, soup, gravy, vegetable pakoras, packaged salad, pasta bowls, samosa and bhaji snack packs and guacomole dip. These items were past their sell-by-dated of between 1 to 17 days. The occurrence was engaged by a manager who had 20 years experience but his first time to manage the largest store chain, Tesco Extra. Shoppers had complaint about the poor problems to the Coventry City Council and the trading standards officers had proven the issues after their raids at the branch in Gielgud Way, Walsgrave in November 2009 (www.coventrytelegraph.net)

3.0 Actions taken to solve these dilemmas According to the Merriam Webster Dictionary, dilemmas are situations or problems where a person has to make a difficult choice; an ethical dilemma is a problem where a person has to choose between a moral and an immoral act (smallbusiness.chron.com). Dilemma occurrences in the workplace are common and action taken to solve them is very important, whereas theory of ethics can be applied as guidelines which may bring the moral decision.

3.1 Reinforce in recruitment and management system Tesco was fined for a total of ? 15, 000 by UK Border Agency (UKBA) for 23 students, of various nationalities who had breached the visa working terms (www.telegraph.co.uk). UKBA was reflecting UK government's intention into act which has promised to overwhelm on visa abuse. The 23 individuals were not permitted to enter UK again (www.visabureau.com). The Britain's biggest supermarket had ensured that the incident in this

nature will never happen again. One of the executive had been laid off after the lacklustre performance (www. telegraph. co. uk). Tesco was a founder member of Ethical Trading Initiative (ETI).

They searched employee with high standard by applying the ETI base code which included; no exploitation of child labour, working hours not exceeding (20 hours per week for foreign workers) and regular employment is provided (www. tesco. ie). However, the government had carried out a good job by taking serious action against any employers who had breached the visa working terms. After the fined it brought a “ warning” to the competitors and simultaneously as a reminder to them to have good ethical practice while in competition. Nobody is allowed to breach the rules in order to obtain success in competition.

In addition, after UKBA taken action against the employer, the rest employees will enjoy the benefits which to work in regularly, fair treated, feel protected and concerned by the government. Employer was ensured that the management system been improved after laid off an employee who made mistake. Employer was informed to put employee’s welfares as priority. 3. 2 Defending the rights Tesco was slapped with the fined of ? 10m for price-fixing of its dairy products by the Office of Fair Trading (OFT) in 2011 after seven years of investigation. However, they threatened to fight back by taking legal action against OFT to defend themselves.

The company claimed they were “ surprised and dismayed” with the fined and strongly denied with any collusion in changing pricing detail with each other via the dairy processors. Tesco stand at its point vigorously and throughout the court. However, it had urged the government to deprive OFT

<https://assignbuster.com/ethical-audit-report-of-tesco/>

of its power to investigate and punish firms under the competition act (www.mirror.co.uk). The intention of OFT was to alert the industries that the competition laws was enforced in ensuring the shopper in a fair trade condition. Hence, after the punishments were sent, it was ensure that the competition was maintained under the competition laws.

Furthermore, competitors were only able to divulge information to each other via dairy suppliers. Suppliers were also not been honest in this incident. Suppliers did not bear responsibility of providing high quality products with reasonable prices where the consumers are able enjoy the benefits. Thus, suppliers being fined by the OFT were considered reasonable. No matter how the employer wanted to fight back with OFT, they had to pay the fine and settled it in the fastest way where to stop any embarrassing matters to affect their sales figure.

At the same time, the costly and time consuming case might affect the expense of both taxpayer and business as well. So the fine paid has benefitted the consumers which bring fairness of their trading. 3. 3 Compensations After Tesco had admitted selling of outdated food, it was fined by the Bracknell Magistrate Court for ? 12, 000, and ? 15, 000 in legal fees and a ? 15 victim surcharge. The Charges were related to 88 types of food which were put on shelves for sales. Tesco had to bear for the penalty as they knew that selling of out-date-food brought harm to the public health (www.tutorcare.co.uk). In order not to repeat their mistake, they were reinforced through staff training at the Bracknell store to ensure all the processes undergone strict quality control and the procedures were complied. Customers are the cause and purpose of every business. A

business is supposed to serve them satisfactorily (Gavai, 2010). According to Tesco Corporate responsibility, they were running local supplier programme for the purpose of getting fresh and quality products. Therefore, the company had to enforce the programme to ensure it was running smoothly and the supplier complied with it.

Employers had to bear the responsibility for the incident where there was serious problem in the management. The accused significantly spoiled the corporate image and reputation which cause the sales figure to drop. However, the employers had made a right decision for admitting the mistake and paid compensation. It significantly showed that Tesco was applying the Ethics of Justice. According to Plato (2010), justice is an order and a beauty of the parts of a whole. Justice is effective coordination. It is an effective harmony of the whole.

Ethics of justice can be defined as what is right and what is wrong in clear and precision. It was related to the notion of fairness. When a person is been treated unequally or deprived from what he deserved, then he was treated with injustice. Tesco realized that treating someone injustice was an immoral action, so they pledged guilty and paid fined which tend to bring fairness to the consumers as to determine this action on the criterion of rightness, which is one of the concepts in Ethics of Justice as well. Furthermore, Tesco was fined for ? 33, 400 for 43 charges of selling 100 out-of-date foods at a hearing in Coventry Magistrates Court and a further of 94 charges after considering their sentenced. However, some shareholders of Tesco were present in court to show their seriousness of this matter and their concern on the case. They pledged guilty on the charges and their managers were laid

off and two other employees were being disciplined (www. lacors. gov. uk). Employees had the responsibility to carry out their job by following the corporate system. Some of the mistakes were not being tolerated and it has brought harm to the public health.

The Coventry council was pleased with the results as the sentenced brought a warning to other competitors in the same industry that the government had stand at their point for the communities was appreciated. 4. 0 Best Practices and Values According to Donald, White and Bedner (2010), value is a concept of the desirable, an internalized criterion or standard of evaluation a person possesses. Such concepts and standards are relatively few and determine or guide an individual's evaluation of many objects encountered in everyday life. Values are tinged with moral flavour involving an individual's judgement of what is good, right or desirable.

Tesco has practiced several communities' works as a return to the society and tried to deliver values to them. Corporate social responsibility is in the interest of business because, by contributing to social change, it can create a better environment for its own transactions, thereby developing business while being socially responsibly (Rendtorff and Dahl, 2009). 4. 1 Communities Works Tesco plays a vital role in the local communities by supporting them actively without preconditions. They wanted to have a good relationship with the communities in which they operated.

The fundamental condition that Tesco can provide to the communities is providing good quality, affordable foods and goods, and offering job to the unemployment. Besides that, they are listening and responding to the local communities for their needs and values, carrying out the issues that matter

to them positively, and improve the local area by providing lasting contributions. They regularly set up a new store in the area where the retailers or businesses had been neglected. Tesco also launched a Regeneration Partnership Programs in UK where Tesco was proud as this prompted to providing job opportunities to the long term unemployment.

In May 2012, they had their first launched store under the regeneration program in Hungary at Debrecen. Hiring 100 unemployed and providing 42 with courses organized by Regional Labour Centre helped them to readjust in their routine of daily work. Tesco also gathered the local communities in a centre point for them to interact. In Turkey, Tesco KipaFamilyClub offered Cooking class, Dancing class, chess and learning English Class to their 60,000 members. In addition, Tesco had over 100 schools of Extended Class in South Korea to let the customers and families to attend Arts and English Class.

Presently, Tesco had over 750 communities champion working into the communities which communicated with the communities effectively. They were organizing activities such as Healthy Eating to the primary school and local school children, charity event by collection or bag packing, and also asking the staff and customers to join the events like Race for Life (www.tescopl.com). Without doubt, values to the communities such as responsibility, accountability, concern and unity had contributed absolutely by Tesco. “Value” so understood is a very broad category.

It includes all sorts of things, from personal desire like health or a sense of humor to social ideals like wealth or liberty (Weston, 2010). They are responsible to the communities by giving them quality product in affordable

prices. In addition, they were giving values of accountability by organizing learning class for the communities to gain their knowledge and interests. Tesco is also concerned about the communities of the unemployment, giving priority to the unemployed for job opportunities which also gave them better future and better life.

Unity of the communities is very important in local area, Tesco provided a platform for the communities to communicate, interact and work together. They looked forward that every business and store were valued by the communities as they were trying hard to give interest to the communities. Tesco contributed a lot of times and fund to the community works. This demonstrates the application of Ethics of Duty. According to Kant (2010), a duty is obligatory and one has to do his duty regardless of any situation.

Most of the time duty implies an action that one is expected to do as a part of society which may be neither for self-satisfaction nor for immediate happiness. Tesco knew what their prime duty to the communities was. Having a good thought is not enough but must in action. An action with potential concern showed their responsibility to the communities. 4. 2 Protecting Environment Protecting the environment is one of the important missions set by Tesco. The only way to deal with it was reducing the impact on the environment, including water and energy usage.

All the suppliers have to follow the program with Tesco by reducing carbon footprint on the product and manage the water usage in all the store chain. The mission to be achieved is to become a zero-carbon business by 2050. Achieving a mission is not only in planning but practice. Tesco has converted over 100 stores to natural refrigeration across the corporate. The project in <https://assignbuster.com/ethical-audit-report-of-tesco/>

Kenya for the Lake Naivasha water stewardship helped to reduce water pollution and raised the water levels, replace transportation from lorries to rail transport which saved 15, 000 tonnes of CO₂e per year.

Tesco had also collaborated with Unilever to create awareness amongst customers of sustainable product choices; more than 10, 000 customers were advised to reduce their water footprint in Turkey. Tesco practiced by reducing in packaging and minimizing waste in their dairy operation which helped to reduce the impact on the environment. Reducing waste was the priority plan for Tesco. They used a market-leading store ordering system which helped to predict what each store chain will sell, this minimized waste of food accurately before it reached their customers.

The programmes of minimizing the store's operational waste started running since 2009 throughout the world's store chain. They did not send any wastage from the UK store to the landfill. If the waste were unable to recycle then it will be converted into other sources of energy. In China, cardboard and waste oil in the stores had been fully recycled. In Poland, in order to increase the rate of recycling, they have conducted an audit of waste segregation in stores. In Malaysia, they encouraged the employees to recycle by launching a weekly league table to record who recycled the most.

In US, they sent their waste food to the food bank for those who needed to reduce the wastage. And lastly in Slovakia, they donated the waste food to the Hunter's association for feeding animals. The materials used for product packing were the lightest weight and sustainable and also gave opportunities for recycling. Since 2007, Tesco have reduced the packaging of own-brand product more than 15% in UK, which included cutting glass usage by 420

tonnes annually when producing their own label Champagne. They also changed traditional packaging of toys to new packaging reduction technique that brought 15% reduction.

In UK, Tesco also has commitments with WRAP's Courtauld 2 (Waste and Resource Action Programme) to reduce the packaging waste by 2012. The commitments included the reduction of weight, recycled content of grocery packaging to be increased, rates of recycling to be increased, and carbon impact to be lowered by 10%, reduction of 4% for the UK household food and drink, and reduction of 5% for the products and packaging waste in the supply chains (www.tescopl.com). Caring for the environment brings value of duty, love, hope, and comfort. Tesco has carried out their duty towards the society by committing on wastage reduction.

All the resources taken from the earth and environment were fully utilized and the balances were recycled. This duty is belonging to everyone; therefore Tesco has taken it into priority. Tesco also showed the values of love. In terms of loving the earth, loving the environment, and loving each others in the world by saving the resources such as water. Human beings are unable to live without water. Tesco knew the seriousness so they ran several programmes on reducing the usage of water. Tesco is giving Hope to the society as well, saving resources in order to prevent resources shortage, and climate changing.

Value of hope is generating with these practices to the people. Living in harmony and secure which may concern for the next generation as well. With the clean environment, the values of comfort arise and the people can feel that they are living in a peaceful world. This is the main objective

<https://assignbuster.com/ethical-audit-report-of-tesco/>

achieved by Tesco. A comfort lifestyle may bring positive thinking to the people, staying with tolerance and forgiveness. Tesco has significantly practiced ethical theory of right for the programme. According to William Sbow (2010), a right is an entitlement to act or have other acts in a certain way.

Everyone has a right in doing certain action and simultaneously expecting others not to deprive its right. However, others also possess a right to disagree to the action, but they cannot dismiss it. Tesco promoted the protecting environment programme and has prompted to let the communities knew that they had the right to live harmony. Right and Duty are correlated as that our prime duty is to protect the rights of people (Gavai, 2010). Tesco has the duty of giving fairness to the society and the communities have the right to enjoy the fair treatment. 5. Conclusion Business ethics is important for a corporate because it brings significant benefits and advantages. Corporation with good business ethics prompt to have good image and reputation in the market, which assist to create market awareness and promote sales easily. Furthermore, a corporation best practice such as corporate social responsibility is also very crucial which to protect the employees and communities' welfare, corporation may enjoy benefits for itself also because a good corporate social responsibility may create loyalty of an employee.

A loyal and committed employee will stay with the corporation constantly and increase productivity, which can reduce labour turnover as well. Whereas, Tesco, as one of the biggest retailers in the world, which cover business internationally (refer Appendix II for International business Chart),

they realize the importance of these and working hard to practice good ethical behavior, create value for the communities and providing moral decision to settle the ethical dilemma to ensure the stakeholder and communities can enjoy the benefits.