

Good report about nestle pakistan: an ethical approach

[Business](#), [Company](#)



\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [Introduction](#) \n \t
2. [Ethical Issues](#) \n \t
3. [Ethical Theories](#) \n \t
4. [Klines framework](#) \n \t
5. [Solutions](#) \n \t
6. [Evaluation](#) \n

\n[/toc]\n \n

Introduction

Nestle has become a source of scorn and resentment for many after draining the wells of a community in a developing country in an attempt to chase profits and deliver bottled water at a far higher price to others within the country. The fact that this isn't the first occasion on which Nestle has drained an aquifer and prevented the local community from accessing their water supplies did nothing to help the companies case.

Situations like this pose ethical issues for companies that are more than just a matter for discussion in class, situations that have real world consequences. It is clear that within Kline's framework, that Nestle is complicit in the draining of the towns aquifers, whether this was intentional or not, the companies history with water issues and significant resources means adequate testing would not have been onerous for the company and the simple act of it could have prevented this from occurring.

Companies have a few options available to them when problems like this

occur from doing nothing and hoping it will blow over through to putting practices and safe guards in place to prevent problems from occurring in the future and in the same action, developing good will with the local government and the international community at large. Such actions have far reaching effects beyond the local village with the easy and rapid spread of information. Doing nothing could cause many customers to boycott a company, whereas a socially responsible ethical, utilitarian approach to business could earn you accolades and marketing benefits far beyond the initial costs.

Ethical Issues

Nestles treatment of the local water supply crosses several ethical issues. Two of the major ethical issues created by this are violation of the local populations Right to Water and their Right to Health. Though water ethics is a new field, it focuses on conservation, adequate access, basic needs of water and sanitation as well as the deprivation of the poor. It is clear that in this instance, the behaviour of Nestle have violated the local populations right to water on every count. As a further offence, it violated the complex Islamic water ethics traditionally practiced.

The company also violated the local populations basic right to health. This is the right of everyone to the highest attainable level of health, both physical and mental. By depriving the local population of clean, affordable drinking water, they have not just put financial stress on them but have also risked their health. This has further implications for the government functions

operating in the area as well as any NGOs that work in the area, increasing financial stress on a range of groups for the profits of a single company.

Ethical Theories

While this behaviour violates the majority of ethical theories we will look at it through the guise of Utilitarianism and Kantianism.

This issue deserves attention as it flies in the face of Utilitarianism. One could argue that the amount of utility received from the provision of this water outweighs the suffering of the population and we should look at this. It could be argued that depending on the population and the utility from the product, then what the company has done is an ethically defensible thing. In tapping dry the water source in this town, Nestle was able to provide bottled water for people in the cities. Not only this, they were also able to, thanks to their marketing, give these people a higher sense of value and place from their purchase of water. In the process of providing this water, Nestle hired numerous people to advertise, to market, to pump, to package, to transport and a host of supporting processes. This suggests that the acts of the company provided levels of utility to a large host of people. This is naturally the danger of utilitarianism. What we should do though is to look at the level of utility provided and the lack of utility lost to try and determine a balance. In this instance, the small amount of utility this product provides to those individuals is likely much smaller than that lost by those who can no longer drink clean water.

Klines framework

Kline encourages people to ask the W questions when considering ethical dilemmas in international business. These are the What, who, where, when and most importantly why. These can all be renamed to Causation, Capability, Awareness & Knowledge, Proximity and Complicity. If we break these down, we can determine in most situations, who should be responsible for issues. We know the what is the company started pumping water and drained the wells, that also covers the who as the local population had been utilising this resource with no issues previously. The when suggests the company to blame as this issue had not arisen prior to the company using the water source. The why which also covers the complicity is in the search for profits. The company could have easily found a water source outside of areas that suffer from water stress but for the sake of higher profits, the company chose that town and that well. Having caused similar problems in other areas before, the company was clearly aware of the risks and according to Kline's framework, is completely complicit in creating this problem.

Solutions

It is clear that this is a problem that isn't going to disappear for Nestle. It is a problem that has repeated itself through different countries and has ended with basic the same result. The company moving operations and the locals being left with no water and no reparations. Clearly this is not a good solution, either for the company itself or for the local affected population. Companies need to start looking at new investments from a triple bottom

line perspective, not just how can it generate profits for the company, but how can we support the societies that we have affected as well as societies they are planning on basing their operations in. They need to do this not just so they can avoid confrontations but also so they will continue to be allowed to operate in new sites.

There are a few different solutions the company could undertake moving forward. The first is to attempt to improve the areas it is taking water from. In the case of this town, Nestle could dig more wells for the local population or could bring in services designed to clean the dirty water that is all the local population has access to. This is a tit for tat solution, where the company is able to access water that they need but in doing so, the local population also benefits, companies would need to take these actions in to account and engage in social accounting. This would be a proactive solution and is of most use before the damage is done.

The second solution which many companies will do is a reactive response. A recent example of this is BP's reaction to the oil spill in the gulf. Once you have identified that you have created a severe social and environmental issue, as a company you should take steps to ameliorate this. Whether this is through providing water from your company to the local population who is now without or through provision of funds to the local population and government so they can assess the best way to fix the problem moving forward and implement those plans themselves. The reactive response is a less ideal approach as the companies reputation will be damaged.

Evaluation

When it comes to potential conflicts between companies and societies, it is important for the company to look at more than just profits. A company should approach new investments and constructions with a triple bottom line accounting practice, looking not just at profits but also at environmental and social effects. The easiest way to do this is through the utilisation of proactive practices. Often it is difficult for a company to know when it is possible to be proactive as until a problem occurs, they may not know it can occur.

Once it has occurred though, the company should take a two step approach. The first step is to respond effectively to the problem at hand. Finding an equitable solution that solves the issue and ameliorates the local population. The second step is to begin to plan a proactive approach that can avoid the problem going forward and to not just make use of areas resources but to aim to leave the area better off than when the company first moved there. If a company uses a solely reactive approach they will find themselves lurching from one problem to the next and will have a debt of ill will that prevents them from continuing their operations in new areas without great expense. While some planning can be put in place and risk assessments undertaken for activities, making proactive plans for every possible contingency can be very expensive for the company. It is a delicate balancing act designed to maximise the benefits and utility for everyone.

References:

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