

The coca-cola company struggles with ethical crises essay sample

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



Question 1: Why do you think Coca-Cola has had one ethical issue to resolve after another over the last decade or so?

Introduction:

There is not single crisis situation for Coca-cola over last decade. The organization has been questioned in different areas of its operations from product to the relationship with workers. It has been facing allegations of misconduct and its questionable behavior.

Discussion:

Contaminated Product:

This is one of the most serious and frequent problem of Coca Cola products. In the case it is mentioned about the contaminated products of year 1999. Coca Cola products have been found contaminated in various countries even after 1999. There are different ethical crisis company has faced in last decade. In most of the crisis, company is also accused for its slow response to the problem. Contaminated products in 1999 like Coca Cola with poorly processed batch of carbon dioxide, Bonaqua contamination with mold had severely affected health of many consumers in French market.

Unethical Competitor:

In the year 1999 European Market Coca-cola was accused of adopting unethical competitive strategies. Companies like PepsiCo and Virgin accused Coca Cola for using discounts and rebates to decrease the shelf life of the product.

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Employee Related Ethical Issues:

Racial Discrimination Charges

Internally organization faced the racial discrimination allegations by the African American employees in 1999. This was serious allegations. African American employees alleged Coca Cola management for not taking action even when they knew about the discriminatory practices.

Union Problems:

Coca Cola was criticized for with poor trade union dealing in Colombia, where four workers died, forty eight went hiding and sixty five received death threats. Union alleged Coca Cola to be behind all these activities.

Breach of Confidence in Employees:

In the year 2006, three Coca Cola employees were charged for trying to sell trade secrets and confidential information to the competitor PepsiCo.

PepsiCo had taken an ethical decision by informing the Coca Cola about the offer. This has increased the brand image of PepsiCo but questioned Coca Cola's ability to maintain confidence among its employees.

Unethical Behavior with Burger King

In year 2002, Coca Cola has been charged for fraud in market testing with Burger King. Burger King was a major customer for Coca Cola. It had to pay \$21 million to Burger King but the cost of losing a major consumer was

higher than that. It lost trust of stakeholders. This case hampered its reputation and brand image.

Channel Stuffing

It is also accused on channel stuffing by shipping extra inventory form the wholesale and retailers at the end of quarter. It was a kind of financial malpractice. It faced lawsuit regarding channel stuffing in four of its major markets Japan, North America, Europe and South America.

Distributor Trouble:

In 2006 it faced problems with bottlers, who accused it for the breach of contract and violation of antitrust law. This issue had disturbed all the supply chain arrangement of Coca Cola. Situation went bad with the media attention to this issue. Media reported it negatively. It had negative impact on the reputation of company and its relationship with members of supply chain and other stakeholders.

In India, which is one of the largest markets for the FMCG and food items, contaminated soft drinks were not limited to Coca Cola itself. Even the products of PepsiCo were found contaminated and had not met the food and regulatory requirements.

Conclusion:

It is evident that Coca Cola has been facing various charges from last decade that questions its ethical and moral behavior. However, it is one of the

largest organizations in the world that has operations in more than hundred countries. In such case, the reasons of breach of ethical code of conducts can result from various reasons from individual inability for decision making to lack of proper training and knowledge among decision makers. Coca cola should learn from its own ethical crises cases and develop a strategy to prevent unethical practices within the organization and business environment.

Question 2: A news analyst said that Coca-Cola could become the next Enron. Do you think this is possible and defend your answer?

Introduction:

In this section ethical issue of Coca Cola and different companies including Enron is compared. I do not agree with the news analyst statement. There are some differences between Coca Cola and Enron that will not let Coca Cola to be next Enron.

Discussion:

Several aspects of corporate Governance include pay scales of senior executives, the rising influence of pressure groups and non-governmental organizations and pressures of the global media have made it necessary for corporate to be responsible and accountable. Nike has faced serious allegations of using child labor from Pakistan, Cambodia, Bangladesh, Vietnam, China and Indonesia. Consumer and several activist groups called for boycott of Nike products. This is just one of the examples various

companies have faced serious allegations on the operations, accounting, management and environmental concerns. Enron has faced serious Human right violation allegations in India. It impacted the investors' behavior in a major way.

Coca Cola will not become next Enron. The California energy blackout problem resulted in huge hikes in price. Energy services are one of the basic services that affect daily lives of people. The agitation in such cases will be higher and annoying for the consumer. This is the basic difference of operations between Coca Cola and Enron. Coca Cola's strengths will not let it to become next Enron.

The strengths enjoyed by Coca Cola are as follows:

- As indicated in the case, even after so many ethical issues, Coca Cola is one of the most respected brands among consumers.
- It has a strong and active public relations department. Enron lacked in its PR strategies.
- Enron had adopted accounting malpractices that resulted in bankruptcy. This was result of greed of people within the organization that could not be identified on time and even if identified no action were taken. In the case of Coca Cola, company takes most appropriate action as soon as any ethical crises arise. This helps in handling the issues as early as possible and preventing any further such activity.

Conclusion

It is clear from the comparison above that Coca Cola is no where near Enron. Coca Cola can deal with its ethical issues effectively to prevent itself becoming next Enron.

Question 3: What should Coca-Cola do to restore its reputation and eliminate future ethical dilemmas with stakeholders?

Introduction:

Restoring reputation is more challenging than building reputation for a corporate. Media and competitor wants to take advantage of distorted image and reputation of any company. In such case it is challenging for Coca Cola to restore its brand image and more importantly prevent the future ethical dilemmas.

Discussion:

Coca Cola needs to ensure certain things while preparing plans for restoring image and preventing future ethical dilemmas. First it should adhere with the quality compliance of products. Product is the first and most important thing. There should be zero tolerance zones for quality related problems such as contaminated products. It can adopt various other strategies like ethical branding, good public relations strategies, and different employees' related programs, encouraging workers participation in management, adopting strong financial, environmental and social auditing.

Ethical branding enhances corporate reputation over a period of time, it helps them retaining their consumers and creating long term and strong

relationship with consumers in the present competitive market place. There are several ways companies are operating in the global market. Company like Toyota has different strategies for developed countries and developing countries depending upon consumer group and market. Consumers in country like Europe are more concerned about environmental friendly and fuel efficient products whereas consumers in developing countries are concerned about mileage and affordability. Toyota is one of the most reputed global brands for its ethical practices in every area from recruitment to branding.

Consumers pay premium for the preferred brands. Positive brand image like ethical branding will definitely encourage consumers to buy the product over competitors. It depends on the target consumers and market place where a company is operating whether or not, consumer will be ready to pay more for ethical brands. A strong and positive brand image helps organisations to not only be on the top of the mind of consumers but also contribute to the long-term success of the product. This is the reason companies like Cola and Pepsi use advertising strategies to gain maximum of market share.

Financial reporting is other effective tool for image building. It has been in practice for centuries. Reporting and auditing of environmental and social issues is a rather new concept. It will be effective in the case of Coca Cola.

Conclusion:

It is challenging for Coca Cola to regain its previous reputation among various stakeholders but not impossible. Consistent efforts, proper public

relation strategies and zero tolerance for any ethical malpractice will help Coca Cola to restore the same.

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