The coca- cola company struggles with ethical crises case study

Business, Company

Delineate the ethical issues and dilemmas the company faced.

The coca cola company has the largest distribution systems globally, and is also among the largest beverage companies marketing four of the world's top five leading soft drinks (Ferrell et al 2011). There has been ethical issues and dilemmas which have caused it to lose its stand in the global market, stocks as well as deter its future growth. The company had ethical issues related to product safety where they were accused of selling hazardous products to consumers. This happened in Belgium in June 1999, about thirty school children became ill after consuming Coca Cola products. This contamination scare caused all the company's products to be recalled in Luxembourg and Netherlands as well. The main cause of the problem was poorly processed carbon dioxide was discovered to be the source of the problem.

Coca cola faced product safety issues in France too, about one hundred people were reported sick after consuming their products. The government issued a ban on all Coca Cola products until the problem was fully resolved. The incident was followed by another one where Poland reported to have received a shipment of Bonaqua a new Coca cola water product that was contaminated with mold.

The company is reported to have sold the banned cans to Africa which was unethical and inhumane. This did not go down well with the public and investors who took it as racial discrimination and withdrew their shares, the company lost 50% of its share value. It was observed in these incidences that the Coca Cola Company took long to respond and give a formal explanation, this lead to lose of customer confidence which harmed their reputation and consequently their profitability.

In the late 1990’s and early 2000’s the company was accused of engaging in unethical practices that inflated their earnings (Ferrell et al 2011). The Coca Cola Company would engage in channel stuffing where they would ship extra inventory to whole sellers and retailers at an excessive rate. The need to inflate profits was high for Coke such that they had sent extra concentrate to Japanese bottlers, they had pressured bottlers’ into buying additional concentrate in exchange for extended credit. It was unethical because shipments were counted as sales and implied the existence of strong demand which resulted in inflated earnings thus misleading investors. The company faced similar accusations in most parts of Europe, South Africa, Japan and North America.

The coke company has faced allegations related to racial discrimination against about two thousand current and former African American employees. They took the stand that the company discriminated against them in regard to payments and compensation as compared to employees of other races in comparable jobs. The company discriminated against them in performance evaluations and promotions as well. This ended in a lawsuit where Coke paid the plaintiffs and created a diversity council. The company has also faced international problems related to workers’ unions. In Colombia unions were making progress inside the coke plants but at the same time eight workers were killed, received death threats and yet others went into hiding. Coke denied any involvement and accused the civil war in the country although the union alleged the company and its local bottlers were complicit in these cases.

Coke's market dominance led to inquiries into the company's marketing tactics which resulted in competitive issues. The aggressiveness of Coke led the French government to decline approval of coke's bid to purchase Orangina and Schweppes. They used rebates and discounts to crowed their products off shelves and gain market share which was against European laws

The coke company faced allegations of unethical behavior where they were accused of engaging in fraudulent activities when conducting a market study on behalf of Burge King. The company had received negative feedback from the initial results and decided to give individuals money to take children to Burger King to purchase Value Meals which included the frozen coke thereby altering the true results of the study. The fraudulent manipulation of data in the research cost the company in terms of negative publicity, loss of confidence in the company by stakeholder and strained relationship between them and Burger King.

The company also had trouble with its distributors who claimed that coke did not bind to the agreement they had entered into. The bottlers felt that the delivery system adopted by Coke of delivering direct to warehouses would diminish the value of their businesses. The company was not spared from negative publicity which was damaging to the company reputation.

Determine which of the issues/dilemmas you identified was the most significant. Explain your reasoning.

The Coca Cola Company has faced many ethical issues but the most significant was related to the safety of the products they were offering the public. All this began in Belgium where children got sick after consuming coke products. The Belgian government demanded a total recall of all coke products from the shelves in Belgium. Luxembourg and the Netherlands also followed resulting in huge losses for coke. They concluded that the cause of the problem was poorly processed carbon dioxide. However they took several days to respond to the crises which they considered minor and not a health hazard. To the public however this was a serious matter and resulted in a damaged reputation for the company.

The contamination scare resulted in weakened customer loyalty and loss of market share for coke especially in the Europe. They could not get back the market share they lost during this period because their campaign strategies were against Belgium’s antitrust laws. These translated directly to the demand for coke products, sales and profits. The contamination scare continued in France where people got sick after consuming coke products. This was followed by another incident in Poland. The slow response from the coke company worked negatively against them and had a huge damaging effect to their reputation.

Shipping and selling banned cans of coke products to Africa portrait the company as racist and inhuman which further damaged the company's reputation. The repeated incidents caused the investors to lose confidence in the company and its management (Ethics Resource Center 2010). This led to many questions being raised and the company lost in the stock markets as well as major investors withdrawing from the company.

Determine what steps Coca-Cola should have taken to prevent the issues you identified from arising in the first place.

The coca cola company should have taken the time to analyze and understand the trading laws of each of the countries they market and sell their products. This would have been a safeguard against the competitiveness issues that the company experienced especially in Europe. To safeguard against allegations of racial discrimination the company should have been transparent in its human resources and should have put in place measures against any employees discriminating against others. They should have an increased employee awareness about the dangers of racial discrimination and how it plays a negative role in employee performance (FIU College of Business 2011).

The coke company should have purposefully avoided channel stuffing in order to safe guide their reputation. They should have set up a compliance office before the incidents happened to verify financial quarters and ensure that there are no altered terms of payments or extended special credits. To ensure peaceful working with distributors', coke should have adhered to the agreements it had entered into with bottlers. If there was need to change existing working logistics, it should have been within the governing antitrust laws.

Analyze how Coca-Cola responded to the crisis and determine if this was the best possible response or not.

In the contamination scare incident the company showed slow response and made light of the extent of damage. This was not the best possible response because already they had confirmed that they were at fault for using poorly processed carbon dioxide. In the incident of discrimination against employees the company responded by compensating them. This response was best because the lawsuit would have dragged on for years damaging the company's reputation even more.

In response to the issue of channel stuffing they settled with the SEC and Justice Department which was the best response. They also created an ethics and compliance office which was also a good way to respond and show commitment in handling the matter. In the issue of Burger King Market test they compensated concerned parties, a great response because the damage had already been done and all that could be done was damage control. To resolve competitiveness issues they responded by withdrawing the campaign, this was the best response because proceeding with it would have further violated the anti laws of the concerned countries which would have led to more lawsuits and further damage to company reputation.

Work Cited.

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