

# Ethical issues faced by coca-cola



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Business ethics is a burning issue in today's global business arena. Various ethical issues have to be considered highly by companies. Different ethical issues relating to Coca-Cola are described below:

### **Rights, conflicts, and responsibilities**

As a socially responsible company, Coca-Cola has to obey different rights regarding employees. Coca-Cola's employee/human rights policy is Healthy work- life balance. This giant multinational corporation has a workforce of 92, 400 people from diversified culture and countries. They are generally called associates. To ensure associates rights, company has following operations and programs:

Company has ensured compliance in all its production locations and other workplaces.

Regular training and workshop programs are held.

Company issued global Workplace Rights Policy in 2007. This is a detailed framework of workplace right.

There is no child labor in any premises of Coca-Cola in anywhere of world.

Coca-Cola joined in the Business Leaders Initiative on Human Rights (BLIHR) in 2007. It is a leading group of top 13 multinational corporations to find out various ways for applying human rights. Company is an active member of this forum.

Company has a virtual and global university called Coca-Cola University for its associates. It is the first example of that type of educational venture by any business organization.

Company's 50% non-hourly associates are women, 48% managers are also women, 35% non-hourly associates are people of color in U. S based operation.

Coca-Cola follows various procedures to solve or eliminate inter-department conflict. As a global company it has a huge workforce coming from diversified culture. Company uses the Coca-Cola System in its operation. The main focus point is all operations are done local basis. Production, Marketing and other tasks are served by local subsidiaries under central supervision. Central supervision is done through Global audit. Global audit is done on the basis of a global standard. Global audit is done by globally renowned audit firms.

**Different departments have separate responsibilities. Some of them are discussed in the following passages:**

### **Purchase Department**

Company claims that it is the top purchaser of sugar, citrus, and coffee. Coca-Cola uses 300 Billion liters of water. Coca-Cola purchases top class materials for its production. It has a global guideline for suppliers which guideline is followed strictly. Any violation of it may cause elimination of supplier contracts.

## **Sales Department**

The duty of sales is to distribute to the local agencies or own people. Local subsidiaries or companies are liable for any type of sales operation. In any case the global standard must be maintained. Optimization of sales is the prime motto of this department.

## **Production Department**

Any violation of any ethical issues is totally prohibited in production system. The main responsibility of production section is to ensure quality production in an environment friendly manner. Automated production system is adopted in many cases.

The workers are the life blood of the production system. Their rights are carefully monitored by the upper management.

## **Branding Department**

Coca-Cola is the most powerful brand in the world. It has also some other famous brands. Company's brand promotion is done both globally and locally. Different branding strategies are followed to maintain and increase the brand position.

This branding department is one of the most sophisticated Branding departments of the world. It has been maintaining the top position of global soft drink brand around 100 years.

## **Finance Department**

Coca-Cola has a strong finance department. It has a global audit system which ensures the sound financial condition. The main objective of this

department is to use the financial assets in proper way. Highly trained and expert people are recruited for this task.

## **Marketing**

Coca-Cola is one of the largest global corporations. It is one of the successful marketers in the world. It is a well established company. It has over 500 own brands. It operates in almost all countries of the planet. So it has a well designed and flexible marketing strategy.

Coca-Cola has a marketing strategy called:

Think- Education is essential to achieve sustainable, active, healthy lifestyle.

Drink- Providing product and package variety is their commitment to consumers.

Move- Physical activity is vital for health and well-being.

This strategy focuses all aspects of its marketing view and strategies. All its marketing activities including promotional activities, branding, and distribution are done on this view.

Market position of the company is very strong. It divides the whole world into six operating groups named Latin America, North America, Pacific, European Union, Eurasia, and Africa. An overall performance in these operating groups is given below:

## **Operating Groups**

### **Sales Percentage**

#### **Latin America**

**27%**

#### **North America**

**25%**

#### **Pacific**

**16%**

#### **European Union**

**15%**

#### **Eurasia**

**10%**

#### **Africa**

**7%**

Table 1: Sales percentage in different Operating Groups in 2007

Source: 2007/2008 Sustainability Review

Figure 1: Sales percentage in different Operating Groups in 2007

Figure 2: Growth in Different Operating Groups in 2007

Coca-Cola is the market leader in most of the countries like the U. S. A, Brazil, and New Zealand etc. So it follows market leader strategies. Its main competitor is PepsiCo. There are many local companies who are major competitors in case of its local operation.

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Coca-Cola uses almost all tools of marketing promotions. Generally it uses mass marketing. Coca-Cola expenses huge amount of money for advertisement and other promotional activities. The amount was \$4.4 billion in 2008. Within this amount \$3 billion was only for advertising. Company adopted “Advertising and Marketing to Children Policy” in 2008. It uses all media to promote its products. Different advertisements of the company have got huge popularity and critics’ recognition.

## **Professionalism**

It is not possible for any multinational corporation to survive without professional attitude. Professionalism is ensured in Coca-Cola by written Code of Conduct. It is a fully professional global corporation. And its history of professionalism had been started long ago.

Company maintains highest level of professionalism for improved corporate culture also. Professionalism is one of the reasons for the success of Coca-Cola.

## **Information technology**

Coca-Cola has a virtual global network. It maintains strong database of its own. Coca-cola adopts automation in its some operations. As a beverage company it cannot be fully automated company because its distribution process cannot be fully automated.

Maximum production plants of company are automated. Automated production system ensures quality product and reduces wastage. Around 75% of factories are fully automated.

Coca-Cola has websites and links for different purposes. For example [www.governance.thecoca-colacompany.com](http://www.governance.thecoca-colacompany.com) is a link for knowing of its corporate governance.

## **Communication**

For communication purpose, company uses intranet and internet. There is an official website of the company. [www.thecoca-colacompany.com](http://www.thecoca-colacompany.com) is the official website of the company.

Anyone can communicate with the company through different e-mail addresses and links.

Coca-Cola has factories in different location. Company has established a global communication network for the factories. Continuous updates can be collected through this network.

This company has a strong research and development department. Especially its marketing research wing use e-mail addresses and web addresses to collect information and response.

## **Freedom of action**

Freedom of action of all levels of employee is defined by code of conduct. Top level management gets high level of freedom in conducting any legal activity. Actually most of the aspects of freedom of action are confidential. It is tough to collect information on this matter.

Individualism is a major reason for ensuring freedom of action.

In lower level there is less freedom of action. On the other hand there is a high level of freedom of action in top level. Top level management enjoys highest level of freedom in action because there is no hard and fast rule.

## **Censorship on the internet**

Many countries practice censorship in many forms on the internet. For example China, Iran etc countries practice censorship highly. Censorship may be practiced for many reasons. Main reasons behind censorships are political, religious, social, and cultural. Coca-Cola does not face any type of censorship in any country. Coca-Cola's global acceptance is the main reason behind this.

Coca-Cola itself practices limited censorship. Different internal accounts, internal policies, main formulas of productions and some other confidential information are not shown in internet. It is a common practice. Coca-Cola maintains minimum privacy in case of internet.

## **Computers and work**

Computer is a part and parcel of modern business. Coca-Cola also uses computer in its operation. Computers are an important part of its communication system and information technology. Computerized production system is followed in maximum plants. All its offices are equipped by high configured computers. Coca-Cola has collaboration with some major computer makers to provide computers and other related machines.

A major part of its entire works is done through computers. It is not possible for a company like Coca-Cola to computerize all sections fully. But company

is doing its best to reach up to highest level of using. There is a plan to use digital machine in root level distribution also.

Unauthorized use of computers or any other machines in working hours is totally prohibited. Only official purposes can be served by the company associates through computers and internet lines of the company.

Company has a very nice policy that company does not use any pirated software or any component of computer.

## **Law**

Coca-Cola is a company of the U. S. A. it was incorporated in September 1919 under the laws of the state of Delaware. The company is run by the Company Act 19. Company follows instruction of the Securities Exchange Act 1934.

It has operation in over 200 countries. Company follows all rules and regulations of respected countries where it operate. So it has to follow a lot of laws regarding many countries. It is a company's basic policy that, company always tries to follow local laws accordingly.

Company has to comply with varies competition acts, environmental acts, consumers right protection acts in different countries. It gives various types of taxes like ecotaxes in many nations.

Coca-Cola signed different international agreement for protecting environment, employees rights etc.

Coca-Cola has collaboration with many attorneys and attorney firms to face legal issues. Company has a reputation as a good follower of laws.

## **Security**

Nowadays security is a burning issue all over the world. Coca-Cola has separate security strategies for different locations. It varies country to country or state to state. It is also a human right to get physical security. It is another important aspect that we have to ensure job security. Coca-Cola has specific rules for ensuring job security. There are several guidelines, written rules of employees' job.

It uses different high technological tools for security purpose. In many locations it has its own security forces. In many locations it depends on external security company or expertise.

## **Conclusion**

As a global beverage leader Coca-Cola has to do more to ensure perfect ethical issues. Different cooperation with other small companies may help the company.

## **Answer to the question no. 2**

### **Country Overview**

New Zealand is the second largest Oceania country. It is famous for its natural beauty. It is also a business friendly country. There are many acts to govern business smoothly in this country.

## **The Legal System**

### **Constitutional Status**

Constitutionally New Zealand is a kingdom of the U. K. A Governor General represents Queen Elizabeth II in this country. But his role is mainly ceremonial. Though Governor General has some power in some special cases, New Zealand is ruled by her own people.

### **Origins of New Zealand's Law**

New Zealand received the English law on 14 January 1840. It got own limited legislative power in 1865. New Zealand accepted full responsibility of its own faith in 1947. Last 20 years New Zealand adopts many things from Australian, U. S., Canada, and other countries' laws. Its business related laws are mainly designed on the basis of Australian law.

Privy Council has been the highest court up to 2003. Then the separate Supreme Court has been established. There is a value of English decisions in its courts also.

### **Sources of Law**

Two major primary sources of New Zealand's law are the statuses enacted in parliament and major decisions provided by courts. There are three basic principles of its law. They are parliamentary sovereignty; the rule of law; and the separation of power. Beside these there is a huge dependency over British law as a past British colony.

Its commercial laws are designed on the basis of Australian, U. S, Canadian laws.

## **Court Structure**

The Supreme Court is the top court of New Zealand from 2003. Below it, in descending order, are the Court of Appeal, the High Court and the district courts. These are called courts of general jurisdiction. These are the main courts in their justice system.

The authority of the Supreme Court, the Court of Appeal, the high Court, and the district courts are defined by act. The High Court has both statutory jurisdiction and common law jurisdiction power.

The district courts are the bottom courts of the system. Criminal, civil and business related cases are dealt in these courts. There is a statutory ceiling of limit.

The High Court has a broad general jurisdiction power. It hears more serious jury trials, the more complex civil cases, administrative law cases and appeals from the decisions of courts and tribunals (district courts) below it.

### **Figure 3: Court Structure of New Zealand**

A case that is decided in the district courts can be appealed to the High Court, or directly to the Court of Appeal where the law allows it. The Supreme Court is the ultimate appellate court. Cases may only go to the Supreme Court if the court grants leave to appeal.

Beside the general jurisdiction system there are different specialist courts and tribunals. Those include the Employment Court, the Environment Court, the Accident Compensation Appeal Authority, the Māori Land Court, the

Waitangi Tribunal, Coroners Courts, and the Courts-Martial Appeal Authority  
etc.

## **Different Forms of Business Allowed to Operate and the Laws Governing Them**

There are mainly three forms of businesses in New Zealand. They are:

Sole-proprietorship businesses

Partnership businesses

Companies

Partnership firms are run by the Partnership Act 1908 and companies are run by the Companies Act 1993.

A company must have:

One or more than one shares

Limited or unlimited liability for the obligations

One or more than one directors

A registered name

There is an opportunity for the companies to access into the Australian market under CER. A company which has assets valued at \$450, 000 or with a turnover of \$1 million has to file financial statements as per companies' act 1993.

Various laws relating with business:

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Bills of Exchange Act 1908

Commerce Act 1986

Companies Act 1993

Partnership Act 1908

Consumer Guarantees Act 1993

Fair Trading Act 1986

Sale of Goods Act 1908

Financial Transactions Reporting Act 1996

Securities Act 1978

Arbitration Act 1996

The Health and Safety in Employment Act 1992

Employment Relations Act 2000

The Resource Management Act 1991 etc.

## **Dispute Resolution Procedures**

Arbitration Act 1996 and the Disputes Tribunal Act 1988 are mainly followed to resolve different disputes in New Zealand. Which cases cannot be solved in disputes tribunals are taken under the Arbitration Act 1996. The disputes tribunals are not formal courts. These courts are headed by referees. There are mainly two methods for dispute resolution. They are:

Negotiation method

Mediation method

In case of the failure of these two methods arbitration is needed.

Following disputes can be taken to the disputes tribunals:

Disputes relating to damage of property

Disputes relating to loss of any property

Disputes relating to work completed

Dispute relating to payment of services etc

Following disputes can be taken under the Arbitration act:

Dispute related with debt

Dispute related with taxes

Dispute related with ownership of land etc

## **Laws Relating to Copyrights, Trademarks, Patents, and Designs**

Intellectual Property Office of New Zealand (IPONZ) is the governing authority of Trademarks, Copyrights, Patents, and Designs.

## **Copyrights**

Rights for the copyright are provided in the Copyright Act 1994 in New Zealand and this act is accompanied by the Copyright Regulations 1995.

There is also the Copyright (New Technologies) Amendment Act 2008.

New Zealand's Copyright related laws are partly varied various international agreements because of basic laws. Those international laws are:

The Agreement on the Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement (Annex 1C to the Agreement Establishing the World Trade Organization (WTO) 1994);

The Berne Convention for the Protection of Literary and Artistic Works 1928 (Rome Act revision);

The Universal Copyright Convention 1952.

There is a statutory body called the Copyright Tribunal for copyright related cases. The Tribunal hears disputes relating to the provision of licenses allowing the copying; performing and broadcasting of copyrighted works; and other issues of copyright.

## **Trademarks**

All trademark related issues are dealt by the Trade Marks Act 2002 and the Trade Marks Regulations 2003 in New Zealand.

Following purposes are fulfilled by this act:

Maintaining Trademark register.

Registration and administration of Trademarks.

Providing Trademark form and other applications or document form.

Defining the power and function of Patents Commissioners.

Charging Trademark fees.

When an application for registration of a trademark is accepted, the application must be advertised in the Journal. Any person who wishes to oppose the registration of the trademark can oppose to the patents commissioners within three months from the date of advertising in the Journal.

## **Patents**

Patents right is preserved in New Zealand by the Patents Act 1953. There is also the Patents Regulations 1953. Commissioners of Patents are the governing persons of patents related issues.

Following purposes are served by this act:

Administration of Patents.

Maintaining the patents register.

Providing the patents forms and other applications and documents forms.

Determining and receiving patents fees.

Publishing the Patents Office journal.

Registering practicing patent attorneys.

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The Hearings Office is the arena in which the majority of the quasi-judicial responsibilities of the Commissioner are exercised. IPONZ become involved in proceedings when an opposition to the grant of an IP right is filed, when a revocation application is made, or when a hearing is requested. A panel of Assistant Commissioners (Hearings Officers) gives decisions on matters referred to the Commissioner for hearing.

## **Designs**

The Designs Act 1953 is the main law relating to designs in New Zealand. It is supported by the Designs Regulations 1954.

Following purposes are served by the Design Act 1953:

Maintaining design register.

Defining the power and function of commissioners of designs.

Providing the forms of designs and other documents' forms.

Determining and collecting design fees.

Commissioner deal with designs issues in the hearing office and this office is the primary place for judicial cases of deign. IPONZ become involved in proceedings when a revocation application is made, or when a hearing is requested. A panel of Assistant Commissioners (Hearings Officers) gives decisions on matters referred to the Commissioner for hearing.

IPONZ publishes a number of practice guidelines that are used as a reference tool for examiners of designs. They set out procedural and legal matters relevant to the examination of applications of Designs under the Act.

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## **Conclusion**

New Zealand follows a well designed legal system. Its laws and regulations are business friendly. And it does not tolerate any problem relating to consumer right.

## **Answer to the question no. 3**

### **Globalization**

In the age of globalization free trade is highly promoted. Globalization is very much helpful for giant multinational corporations like Coca-Cola. Different positive and negative effects of globalization over Coca-Cola are as follows:

#### **Positive effects:**

Expanding globally

Cross cultural integration

Considering the whole world as a single market.

Opportunity to use different mass media to promote products

Opportunity to use diversified workforce

#### **Negative effects:**

Increasing competition

Threat of new entrance

Management of diversified workforce may be problematic

Low priced competition with many local or regional companies

## **Figure 4: Model for Sustainable Business Activities and Communities to Deal with Globalization**

This model has been designed for globalization. Different components of the model are discussed below:

### **People**

The policy relating to employee selection is like that 90% of total workforce is selected locally. It helps to operate soundly in more than 200 nations by using local manpower.

Associates are the life of the company. Company believes that associates can only make the company successful.

### **Partners**

Coca-Cola has made a policy to maintain smooth cooperation with suppliers and stakeholders. They are called partners of Coca-Cola. Company has partners all around the world. They are a vital component of its value cycle.

### **Portfolio**

Coca-Cola has made a portfolio of beverages of highest quality. It has a wide range of over 2, 600 products. Company's portfolio is one of the widest portfolios of the world. The main reason behind this portfolio is to meet up consumers' demand.

### **Profit**

The policy relates profit with and has a vision to maximize the value for the shareholders it is a part of corporate governance also. Company does not want to get any profit in any unethical way.

## **Planet**

Coca-Cola is a leader in case of proper water using, eco friendly packaging, and reducing carbon. Preserving environment is the prime duty of the company.

India is a big and a lucrative market for any big company. Once upon a time Thumps Up is the market leader in non-alcoholic beverage market in India. But because of globalization and Indian government's revolutionary change in economic policies changed the situation dramatically in 1990s. Present scenario is that thumps Up is accused by Coca-Cola. In case of India, Coca-Cola has got a huge advantage.

Globalization brings a golden opportunity to increase market share in the Chinese market.

## **Developments in Information, Communications, and Technology**

In year 2008 there is an increase in automation near about 8%. Company is trying to automate all possible facilities.

Coca-Cola uses different customized software for different countries. Those may be collected locally or internationally.

Coca-Cola has separate MIS department to collect, arrange and disseminate information. It maintains a strong and rich information database of its own

Communication strategies are important part of development. As a global leading company Coca-Cola has a well-built communication network of its own.

Coca-Cola uses internet for different purposes. The official website is [www.thecocacola.com](http://www.thecocacola.com). Company gives advertisements in internet. Internet is a media of communication also.

Sophisticated technologies are used by Coca-Cola in production and other operations. Continuous development in the field of technology is done. Millions of dollar is expend for the purpose of development in information, communication, and technology

## **Culture**

Culture is one of the most influential factors of the consumer behavior. If a company is fail to understand the culture of a nation or a region it is impossible to survive into the market. Human purchasing decision or consuming pattern is mostly depends on respective culture.

Coca-Cola respects the culture of that country where it operates. But in some cases it faced some cultural conflicts and dilemma which were eliminating in later past successfully. The success story of Coke is representing the appropriate understanding of cultural pattern of respective countries. Its admiring brand image in almost all the countries also represents it.

## **Corporate Culture**

It has a professional corporate culture. Different variables like diversity, professionalism, global image, strong brand image etc. are continuously forcing to maintain corporate image. Corporate culture of Coca-Cola consists of following issues:

Workforce Diversity

Maintaining corporate professionalism

Performing corporate social responsibility

## **Corporate Governance**

Corporate governance deals with the maintaining of a standard in operation for the betterment of stakeholders especially for the investors. Coca-Cola maintains close relation with its investors and other stakeholders. All price sensitive information is disclosed to the investors. Regular communication is done with investors. There are separate committees for monitoring corporate governance.

## **Power**

Coca-Cola is the most powerful beverage company in its parent country the U. S. A. it has an influential power in business related policy making in the U. S. A.

Company has great influential business power in many other countries also. In some Latin American countries; in North American countries like Mexico; in many African countries Coca-Cola is a powerful brand. Coca-Cola may influence government of those countries in business policy making.

But in highly restricted economy (communistic economy) like China, Cuba, this company has no or less influential power. Being China is the most growing market of Coca-Cola, company cannot get any extra facilities in decision making.

Political unrest hampers the business of this company in some countries like Afghanistan.

This global corporation is a strong trader of the world market. As a market leader in most of the countries in this planet it gets various trade facilities.

## **Politics**

Fortunately Coca-Cola is company of such a country which is one of the strongest democratic nations, the U. S. A. The political condition of this country is stable. It is a very good advantage for the company. Now the Democratic Party is in power.

Because it operates in over 200 countries so the political condition is not same in all countries. In many countries the political condition is very much unstable. Sometime it is seen that he political power is not favorable for the country. Different global political issues also an important factor. There are many cases where company faced strong opposition. In the time of Cold War it was very common scenario.

Coca-Cola operates its business in all types of economy. This is the age of free trade. A very small portion of world economy is restricted. So it is easy for Coca-Cola to expand and operate its business. But it is also true that this free trade is also a threat because it increases the competition.

There has been a tremendous change in the market condition. There is a huge growth in China and Western Europe. For global economic crisis there might be a negative growth in total as like the U. S. A. But the dramatic growth in Chinese and Western European market maintained the positive growth.

## **Law**

This beverage tycoon has to follow the laws of different types in various countries where it operates.

The production, distribution, and sale of some its products are under the Federal Food, Drug, and Cosmetic Act; the Federal Trade Commission Act; the Lanham Act; state consumer protection laws; federal, state, and local workplace health and safety laws; various federal, state, and local environmental protection laws; and some other federal, state, and local rules and regulations.

Company has to follow competition laws, environment related laws, consumer right laws, commercial laws, food and beverage related laws etc. in many countries. Some bottlers of Coca-Cola supply non-refillable containers. Company is needed to pay eco-taxes or fees to government of the U. S. A and some other countries in case of those non-refillable containers.

## **Choice**

Coca-Cola has huge customers worldwide. Customers' choice is different in different region. Company obeys consumers' choice most. So it follows consumer marketing. For this reason, company has long product line. It prepares so many types of non-alcoholic beverage. For example there are different versions of Coke like Diet Coke, Cherry Coke, Coca-Cola Zero, and Diet Coke with Lime etc.

It sells enhanced water brands like Smart-water in North America. Matte Leao Herbal beverages are sold in Brazil. Various tea-flavored beverages,

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sports drinks, and fruit drinks are sold in the U. S. A. it sells different light beverages in South Asian market. Consumers' preferences are highly valued.

A large portion of consumers is brand loyal to the Coca-Cola's brands. People find assurance of quality in its products. Consumers also get products as they want. Coca-Cola is a company which is very much able to read the mind of potential consumers. For these reasons there is a big gap of market share between Coca-Cola and other beverage companies. But company does not think anytime that its duty is over. They try and try hard to satisfy their consumers in different ways.

## **Conclusion**

All these factors should be carefully examined by the company. Though the company has faced all