

Business ethics can be defined as written and unwritten codes of principles



Business ethics can be defined as written and unwritten codes of principles and values that govern decisions and actions within a company. In the business world, the organization's culture sets standards for determining the difference between good and bad decision making and behavior.

In the other words, business ethics is a way of an organization how to balance the interests of stakeholders, like NGOs, shareholders, employees, customers, because it influences business operations of an organization in general.

In the most basic terms, a definition for business ethics boils down to knowing the difference between right and wrong and choosing to do what is right. The phrase 'business ethics' can be used to describe the actions of individuals within an organization, as well as the organization as a whole. (White, 2009)

In today's modern business world, the road to success requires more than merely technical skills, practical knowledge and a good product. Business ethics are achieving and sustaining the success. The public of today has high demands of those behind the steering wheel of modern business. Greater accountability and transparency, up-to-the-minute market information, reliable financial and market data, etc. are essential gauges for investment decisions. Business ethics become the fundamental building blocks that link up all these expectations. (ICAC, 2007)

Business ethics include responsibility of fair competition in both internal and external of company. For example, provide a fair staff promotion chance, not because someone self-interest. People in organization are motivate to work <https://assignbuster.com/business-ethics-can-be-defined-as-written-and-unwritten-codes-of-principles/>

because everyone have chance to get promote. The tender bidding price should not disclose to others parties by received benefits and the other companies are willing to do business with you, because of fair competition between others.

Corporate are response to protect the natural environment, to reduce or prevent pollutions, like air, noise, water and solid waste etc. Also, require ensure the labors are working in safety environment and correspond to countries regulation.

If the business ethics and the laws broken by firms, they usually end up being fined. Many companies have broken anti-trust, ethical and environmental laws and received fines worth millions. The problem is that the amount of money these companies are making outweighs the fines applied. Billion dollar profits blind the companies to their lack of business ethics, and the dollar sign wins.

The main goal of business ethics is to treat all employees and customers justly and fairly. It is believed that by following a moral and ethical code, business will improve. When a management team adheres to management ethics, employees become motivated and a workplace environment becomes motivational.

Business ethics in food industry

Generally speaking, to ensure productions of food are safety not harmed the health of consumers, not underpaid to labor or suppliers etc. are some examples of the businesses ethics in the food industry, otherwise, firms may

become have bad reputation in the industry between consumer and suppliers.

After the negative news becoming public, the Chinese government instructed action lead to the local milk collection centers stopped procuring milk from the dairy farmers and pushing them to face huge financial losses and no income. Though the scandal originated at Sanlu but it took into its grip on almost the entire dairy industry in China. AS the contamination took place at the supplier level, Mengniu and Yili were also affected as a result. The unsafe milk also affected the exporting milk to other countries and damaged the image of “ Made in China” milk.

According to Contract Theory, Sanlu should keep to their commitments laid down in contracts in guaranteeing their products’ quality safety, informing its consumers of the ingredients contained in its products. However, it is claimed in Theory of Reasonable Care that the buyer and the seller share unequal status. Enterprises who take the advantageous position no matter in product design, production or information supply are expected to care for their consumers by guaranteeing the safety of their products. According to Theory of Social Cost, enterprises should be responsible for all the costs caused by their products’ defects, which will lead to more effective use of social resources by internalizing all these costs into their product prices. (Song, 2009)

In the case of Sanlu, the middlemen want to earn more money, they started diluting the milk and adding melamine to it. Also, the massive competition of industry lead not checking on quality related issues. Moreover, most of

milking station was not well equipped because booming of middlemen to earn money; they are not likely invested too much on facilities. Such checks were conducted only at Sanlu. But as the company failed to maintain its quality standards, like HACCP, it led to the outbreak of the milk scandal.

The production stoppage steered insecurities about the future prospects of 60, 000 dairy farmers, who used to supply milk to Sanlu. Though the scandal originated at Sanlu, but it also affected other suppliers, like Mengniu and Yili of dairy industry reputation of China.

Factors of widespread sufferings of infants

The China government law, does not restricted the food production satisfy international standards, like HACCP, ISO, GMP etc. According to Article 39, The Food Hygiene Law of the People's Republic of China:

Article 39: Whoever, in violation of this Law, produces or markets food which is not

up to the hygiene standards, thus causing an accident of food poisoning or resulting in a disease caused by food-borne bacteria, shall be ordered to stop such production or marketing; the food causing such food poisoning or disease shall be destroyed; the illegal gains shall be confiscated and a penalty of not less than one time and not more than five times the illegal gains shall concurrently be imposed; if there are no illegal gains, a penalty of not less than 1000 yuan and not more than 50, 000 yuan shall be imposed.

Sanlu, the farmer and the middlemen, assume they have no illegal gains, in milk contamination case, they only penalties for nothing compare with other

affected babies. Unlike other developed countries, have regulation to ensure food safety.

“ The U. S. Department of Agriculture (USDA) and the Food and Drug Administration (FDA) require that all food establishments send samples of their merchandise for testing,” said Sandra Acosta, president of Biowell. This is done to ensure compliance with Hazard Analysis and Critical Control Point Principles (HACCP).

The FDA defines HACCP as “ a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.”

If a company had a HACCP plan in place, it prevents the bad effect and enjoy benefits that related HACCP. These included issues such as reduced consumer complaints, reduced potential for illness or injury, and reduced potential for adverse publicity. These negative effects were not the best way to “ sell” the program to management. Positive benefits were those that could show cost savings, enhanced efficiencies and increased revenues if HACCP was implemented.

The positive benefits included becoming a more desirable co-packer or supplier, the opportunity to mandate HACCP for a company’s suppliers, enhanced product quality, reduced waste, improved employee morale and reduced product liability and other insurance. If Sanlu pursue some international standard, like HACCP plan, it reduces the risks of milk

contamination and may be not too much infant sufferings kidney stone and dead.

The milk contamination

Before only Sanlu had set up the collection centers in the Hebei, the quality of milk is easily controlled. But, after the China Mengniu Dairy and Inner Mongolia Yili Industrial Group they promoted the general public to enter into business by becoming dairy farmers, the scenario changed.

As industry is booming, more related farmers joined, like dairy farmers, milk collection station owners and milk distributors, to meet the demand of milk of those companies. To capture greater market, these entrants started offering dairy farmers higher prices so that the farmers sell the entire milk to them and not to Sanlu. Some middlemen added melamine, which makes milk appear to have more protein, so they could sell in a higher price.

According to the national standard for milk powder (GB5410 – 1999) has three grades for milk sources, with protein percentage as the most important indicator. Consequently, the milk companies pay milk stations different prices for different grades. In certain seasons and in some areas in China, due to lack of fresh and nutritious feed, no milk can reach first grade at all. In order to be paid more, the milk suppliers from some milk stations had been adding Melamine to milk to increase the protein percentage, which was not a secret at all in the dairy industry. It is found out that if a milk company employs strict testing procedure; their milk suppliers would add less or even no Melamine at all. Lack of third-party testing might also be the cause of this practice. (Chen, 2009)

The contaminated milk have seriously affected the babies, they were in a bad shape with most of them having high fever with trouble in their urinary tract. Industrial chemical - melamine made the milk appear highly rich in protein. But, the melamine came with cyanuric and it reacted to form a crystalline acid, was also mixed with the baby powder.

Moreover, most of the milking stations were not well equipped with the facilities needed to check whether the milk was contaminated or not. Thus, Sanlu's product has caused severe harm to many babies and their families.

Finally, almost 300, 000 babies had suffered from urinary problems after consuming milk powder laced with melamine, due to contaminated milk powder this year, China's health ministry has said; more than five times as many cases as previously disclosed. It also raised the melamine scandal's death toll from four to six infants, underlining the impact of the country's worst safety scare in years. More than 860 babies are still hospitalised, with 154 of those classed as severe cases. (Tania, 2008)

Measures of Sanlu

After Sanlu's open declaration about the contamination issue, the company decided to recall its product. The company finally recalled about 10, 000 tons of the contaminated milk powder and sealed 2, 176 tons and leaving 700 tons of milk powder yet to be withdrawn from the Chinese market.

As Sanlu and the country's Health Authorities confirmed that the company's milk powder was contaminated, 109 stores of Walmart and 118 stores of Carrefour stopped offering the products of Sanlu at their stores in China.

It was doubted that the company was aware of the contamination from December 2007 as customers had started complaining about the ill effects of taking the milk by infants. But it seemed that the company was reluctant to launch a thorough in-depth internal food safety investigation about the said affair. No alarm or caution was raised by the company to deter their consumers from buying the milk.

“ For a comparatively long time, the Sanlu Group failed to report this incident to the government,” said Health Minister Gao Qiang. “ The Sanlu Group should shoulder major responsibility for this.”

When Sanlu milk powder was detected contain melamine, one of Sanlu shareholder - Fornterra, suggested Sanlu to recall milk powder products. But, neither company executives nor provincial health authorities took any action.

Sanlu thinks that the products which contain melamine not produced by them, they are not original Sanlu products. The recall action may treat as bad news of Chinese company; it also damaged the reputation of the company, so that why Sanlu do not recall the products immediately when it inspected have problem. The number of infants affected could be reduced sharply.

After disclosed the milk scandal, the dealers were not able to pull off the entire product from the market as Sanlu declared that it wouldn't be able to reimburse them for the recalls made. Also, Sanlu had a fund of 800, 000, 000 yuan, out of which 700, 000, 000 yuan was estimated to be the compensation amount that the company needed to pay to its customers. To

regain its goodwill, the company promised to pay the hospital expenses of the babies affected by drinking the contaminated milk powder.

Sanlu Group has paid 200, 000 yuan to the parents of the first child to die after drinking melamine-tainted milk, Xinhua reported. Also, Sanlu and 21 other dairy companies offered 200, 000 yuan to families whose children have died, 30, 000 yuan for severe cases such as kidney stones and kidney failure and 2, 000 yuan for less severe cases. (The China post, 2009)

Measures of China Government

According to previous regulations, any company in China could apply for the inspection-exemption if they had maintain good quality record, large market share, and implemented standards up to or above national or international levels.

The products that passed state or province-level inspections on three consecutive occasions were awarded the qualification. While producers still must report the inspection-free products' quality status on a regular basis, State Administration of Quality Supervision, Inspection and Quarantin (AQSIQ) organized spot checks on these products annually (Xinhua, 2008)

AQSIQ had cancelled the exemption qualification of Sanlu and the other brands of its baby milk powder, other kinds of milk powder and sterilized milk, after Sanlu and others producers milk contamination scandal.

To improve the quality standards of dairy products targeting non-food additives, it would adjust its baby formula standards to allow tests of poisonous substances such as melamine. No melamine tests were conducted

on dairy products in the past. New standards would be published later this year, AQSIQ said.

Article 48 If anyone, in violation of this Law, causes an accident of food poisoning or a disease engendered by food-borne bacteria or causes harm to another person by other acts against this Law, he shall bear the civil liability for compensation according to law.

Mary White (2010), The Importance of Business Ethics, The Brighthub, 2 Feb, 2010

Understanding Why Business Ethics Are Important

ICAC (2007), Business Ethics -Your Way to Success, ICAC, 2007

http://www.icac.org.hk/filemanager/en/content_1235/0292.pdf

Finn Orfano (2009), Business Ethics in Advertising, The Brighthub, Jul 31, 2009

Do Business Ethics Have Any Place in Advertising?

Zhou, Zucheng. (2005), Business Ethics. Beijing: Tsinghua University Press.

Meiyong Song (2009), Business Ethics Reflected in Sanlu Milk Incident, International Journal of Business and Management, Vol. 4, No. 9, Sept 2009

Shumei Chen (2009), Sham or shame: Rethinking the China's milk powder scandal from a legal perspective, Journal of Risk Research, Vol. 12, No. 6, September 2009, 725-747

<https://assignbuster.com/business-ethics-can-be-defined-as-written-and-unwritten-codes-of-principles/>

Tania Branigan (2008), Chinese figures show fivefold rise in babies sick from contaminated milk, guardian. co. uk, Tuesday 2 December 2008

<http://www.guardian.co.uk/world/2008/dec/02/china>

The China Post, (2009), Chinese dairy pays \$29, 000 to melamine victim's parents, January 16, 2009

<http://www.chinapost.com>.

[tw/china/national-news/2009/01/16/192388/Chinese-dairy.htm](http://www.chinapost.com.tw/china/national-news/2009/01/16/192388/Chinese-dairy.htm)

Xinhua, (2008), Quality watchdog cancels inspection exemptions for food producers, 18, Sept, 2008

http://news.xinhuanet.com/english/2008-09/18/content_10070801.htm