

Business ethics and social responsibility



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Executive Summary Ethical conduct of firms at the local as well as global level is considered as one of the essential requirements for the firms to operate. However, many firms often engage into practices which can be considered as entirely unethical. The episode of using Melamine in the baby milk in China is one such occurrence of unethical behavior where the firms producing the baby milk deliberately compromised the health & safety of the children using the milk. 6 children have been reportedly died due to consuming the milk while more than 800 were hospitalized due to the consumption of the milk. Society as a whole therefore not only bears the health costs of such activities of the firms but also withstands the social damage done by such unethical behavior. Introduction Food safety is considered as one of the critical issues in the food related industries as many developed countries have enforced strong regulatory requirements to produce food which should be conducive for health. Chinese baby milk industry however, may not seem to be as regulated as it should be because different investigations have suggested that the Chinese baby milk not only contain unhealthy elements but it is also full of the substances used in the pesticides and fertilizers. The use of such ingredients in the manufacturing of the milk therefore creates strong ethical issues as it may not be safe for the consumption of consumers. Baby Milk in China During 2008, it was discovered that the infant milk in China contains Melamine which is often used in the production of plastic material. (Reuters, 2008). Subsequent investigations suggested six babies died due to kidney stones and other kidney related diseases due to the consumption of this milk. More than 800 babies were hospitalized too for consuming this contaminated milk. It has been argued that in pursuit of transitioning to market based economy,

Chinese firms prefer to have more profits in place of ensuring public goods. As a result of this, substandard and low quality products are being produced just to glut the market in order to gain market space. Most of these products are also offered at lower prices thus making it more feasible for the purchase. (Sardy, M. et al. 2011) One of the most important ethical issues arising out of this practice is whether the firms should be left alone in an economy which is growing to offer products which are not conducive for the consumption purpose. The cost which society as a whole has to pay is not just limited to the social damage but the overall health costs could be relatively higher too. The cost of treating the children whose health has been damage due to the consumption of the contaminated milk. Different international companies were found to be involved in these manufacturing practices leaving a very strong concern regarding the practices adapted by multi-national firms in China. The pressure to reduce and control the costs while at the same time ensuring that firm remains competitive at the international level, may be one of the key reasons as to why the Chinese firms may be involved in such unethical practices. (The New York Times , 2011) It is important to understand that firms operate as a part of the society and as such are required to ensure that they pose little or minimum social injury to the society. (Warren, 2011) However, the practices of the Chinese firms do not seem to corroborate with the assumption that the private firms must operate in a manner where their overall behavior should not result into the damage to the society as a whole. China is a growing economy which is making its transition towards the market based economy however, on the macro-economic level; Chinese firms still lack the business ethics which are followed by the international firms in the developed world.

Such practices therefore can compromise the ability of Chinese firms to actually compete at the international level due to health and safety related issues. (Spencer, and Foster, 2008) Conclusion The practices of Chinese firms especially in food sector may not be considered as ethical because the way products are manufactured may not comply with the international standards of health safety. The use of chemicals in the milk powder for babies in China is just one example of how firms can use different unethical practices to sell low cost contaminated products in the market. One of the key ethical issues arising out of this practice is whether the private firms should be left unattended to continue such practices. What should be the role of the regulatory agencies in order to ensure that the goods and services produced must comply with the international standards for health and safety. References 1. Reuters (2008) Melamine use " rampant" in China feed business, [online] Available at: <http://www.reuters.com/article/2008/09/25/idUSPEK166968> [Accessed: 1st November 2011]. 2. Sardy, M. et al. (2011) " Dimensionality of business ethics in China", *Competitiveness Review*., *Journal of Global Competitiveness*, 20(1), p. 6-30. 3. Spencer, R. and Foster, P. (2008) Chinese ordered cover-up of tainted milk scandal, *The Telegraph*, 24/9, p. 3. 4. The New York Times (2011) China: Tainted Milk May Be Intentional, [online] Available at: http://www.nytimes.com/2011/04/12/world/asia/12briefs-Chinamilk.html?_r=1&ref=foodsafety [Accessed: 1st November 2011]. 5. Warren, R. (2011) Are we making progress in international business ethics?", *Humanomics*, 27(3), p. 212 - 224.