

blood bananas: chiquita in columbia essay sample

[Business](#)



This complex case touches on fundamental questions of ethics and morality while displaying the inherent risks and rewards associated with operating a business abroad in geographies with histories of violence and civil unrest. The case exposes the challenges faced by Chiquita when trying to maintain production and profitability while also protecting its employees in a hostile situation. In this case, the lines of the ethics and morality are not as straightforward as they seem on the surface, and they can vary greatly depending on the point of view and perspective that you take. Chiquita's management struggles to make decisions that " will position the company on a positive trajectory and escape the negative legacy and administrative heritage that continues to saddle the company. " (Schotter p. 14) Root Causes:

There are a number of different root causes for Chiquita's actions in Columbia that ultimately led to their conviction. One critical root cause was the unstable political environment that had been present in Columbia over the past six decades. While, Chiquita's banana operations in Colombia pre-date the most recent surge of violence, beginning with its infamous predecessor, United Fruit Company, over a century ago it is this resurgence that has caused major issues for Chiquita that led to their conviction. Columbia has been constantly fought over by various paramilitary groups ever since the 1948 assassination of populist leader Jorge Eliecer Gaitan triggered La Violencia. (Schotter p. 7) Groups such as the FARC and ELN are insurgent guerrilla militia groups that have been fighting with and against each other for the better half of a century over land, resources, money, political power and overall control of Columbia. " Since the 1980s, the

business of bananas in Colombia has been punctuated by gunfire.” (Schotter p. 6) Various militant groups, most recently the AUC, traditionally forced anyone under their power to pay “ taxes”, which for all intents and purposes was simply extortion. The failure to pay these “ taxes” resulted in death threats, and these were not empty threats as it claimed that the violent factions have killed at least 50 Chiquita employees in Columbia. As Chiquita CEO Fernando Aguirre put it, “ These lands were lands where there was no law.

It was impossible for the government to protect Chiquita employees.”

(Schotter p. 9) This absence of a strong central government was a major root cause of many of their problems. Since it was common for companies to be extorted in this region of the world it was easy for Chiquita to develop a groupthink mentality and justify the “ tax” payments as the cost to save an employees life. Further, ethical relativism, “ the theory that holds that morality is relative to the norms of one’s culture. That is, whether an action is right or wrong depends on the moral norms of the society in which it is practiced, can be argued for the validation and cause of Chiquita’s decision to pay off the AUC. A believer in ethical relativism may say the same action (paying off paramilitary groups) may be morally right in one society but be morally wrong in another.” (Velasquez) While some may believe the theory of ethical relativism, others reject this idea based on the argument that universal moral standards can exist even if some moral practices and beliefs vary among cultures. (Shaw p. 13)

Perhaps, another more critical underlying root cause of Chiquita’s actions in Colombia stems not from their external environment but rather from their <https://assignbuster.com/blood-bananas-chiquita-in-columbia-essay-sample/>

very own history. " Since it's founding more than a hundred years ago, as United Fruit Company, Chiquita has been involved in paying bribes to Latin American government officials in exchange for preferential treatment." (Schotter p. 1) As the United Fruit Company had in the past " relied heavily on manipulation of the land-use rights in order to maintain dominance. In fact, the heavy-handed involvement of the company in often-corrupt governments created the term " banana republic" slowly these types of pay-offs started becoming part of the organizational norms for the United Fruit Company (Schotter p. 8). After changing its name to Chiquita these types of shady dealings did not stop and in 1975 the SEC uncovered a \$1. 25 million bribe made, by the then CEO Eli Black, to a Honduran official. CEO Fernando Aguirre says " the company was forced to pay taxes to the guerillas when they controlled the territory in the late 80s to the late 90s and when the AUC came in 1997 they demanded the same thing." (Schotter p. 9) These long-standing unethical practices after enough time passes turn into organizational norms and become part of the corporate culture which will lead to a diffusion of responsibility by members of the company. An unstable political environment coupled with a history of bribery and corruption ultimately lead to Chiquita's belief that they had no choice but to pay off the AUC in order to protect their employee's. Chiquita viewed bribery/extortion as how business gets done in developing countries and adopted a when in Rome do as the Romans mentality.

Did Chiquita and its managers have a choice?

Was the choice consistent with decision-makers basic duties?

I think you need to look at this question from first a short-term perspective and then a long-term perspective.

Short term, if the lives of its employees were in fact in danger, then I think Chiquita had no choice but to make a payment to the AUC out of a moral duty to protect the lives of its employees. This action can be regarded as a moral standard because Chiquita had to consider serious consequences to human welfare when it made the decision to pay-off the AUC. From the perspective of the endangered employees and the employer, Chiquita made a sound moral decision by living up to it's duty to provide employees with a safe work environment.

Long-term however the paying-off, bribing or paying " taxes" to paramilitary groups cannot be considered moral regardless of the ethical relativism. If Chiquita took a broad view corporate approach they would realize that while they may be protecting their employees they are simultaneously indirectly infringing upon the rights of others in Columbia that the AUC has victimized by helping to fund and fuel the violence through extortion payments. In this capacity they are not respecting the rights of all affected parties, only the rights of direct employees. If you believe that Chiquita's management's basic duties only included protecting its employees then you can argue that they made a choice consistent with their basic duties. However if you take a more broad view and believe, as I do, that Chiquita's basic moral duties include not only protecting employees but also acting in a way as to not propagate violence, then in this sense they did not make a decision consistent with living up to their moral duties as managers.

Does it respect the rights and other claims of affected parties?

A test of corporate ethics made by a utilitarian would ask if Chiquita's actions in Columbia were in the best interest of the shareholders (were they living up to their fiduciary duty) and stakeholders (were they also living up to their corporate social responsibility)? I think the answer to these questions is clearly that while Chiquita was functioning to protect the interest of the shareholders the company was not considering the indigenous people of Columbia and externalities of making payments to terrorist groups such as the AUC. Ergo they were not living up to their corporate social responsibility and were only fulfilling their fiduciary duty.

The Kantian would ask oneself if they would be comfortable if everyone did the same in a similar situation. If a life is on the line surely most people would say that making an initial payment to the AUC is justified however once you consider the long term that view becomes quite different. A Kantian would see that if everyone made payments to fund terror organizations then no one will win save for the paramilitary groups and rise of violence and turmoil. The Kantian and the utilitarian would agree that Chiquita's managers acted unethically when looking at management's decision to make payments from a broad view.

A laissez-faire capitalist could view these payments as moral since Columbia and its bananas are such a profitable areas of business for Chiquita. A capitalist may reason that so long as the cost of "security" paid to the AUC is less than the cost of the next best alternative then corporate has made the right choice to make payments to the AUC by living up to its fiduciary

responsibility. However, once the status of the AUC changed in 2001 and they became added to “ the roster of specially designated foreign terrorist groups” the capitalist may find themselves changing opinions on the view of payments to AUC because under the new status the payments are clearly illegal and may have financial consequences that outweigh the benefits that the payments to AUC offer. Another issue that a defender of a true free market may have with the payment of “ taxes” is that these taxes can be viewed as a restriction to the free market and obstruction of liberty thus it would not be considered an ethical way to conduct business. A libertarian could also view the payments made to any paramilitary group as a violation of their own property rights by the paramilitary group they are paying off. Since Libertarians contend, “ private property is necessary for freedom and any society that doesn’t respect private property rights is coercive” a Libertarian would take issue with coercive nature of the Banana business in Columbia as a whole (Shaw p. 95).

Does it reflect a best practice?

In neither the short-term nor the long-term can the actions of Chiquita be considered a best practice; at most it can be considered making the best of a bad situation. From a broad view of corporate responsibility Chiquita failed to engage responsibly in a volatile part of the world. A defender of the broad view of corporate responsibility would require Chiquita to answer: Are we supporting conflict? Do we contribute to Human Rights Violations? Since Chiquita is indirectly supporting conflict and consequentially contributing to Human Rights Violations, the defender of the broad view of corporate

responsibility would say that the company is not displaying best practices and it acting unethically.

Even a person holding a narrow view of corporate responsibility would eventually concede that payments to AUC are not just due to the fact that Chiquita started getting a negative reputation for dealing with the AUC and this directly went to hurting the bottom line. Because the narrow view of corporate responsibility is concerned only with profits and the payments are now taking away from the profitability where in the past they were actually helping by making the business run smoothly.

Is the choice of Chiquita's managers compatible with the decision-makers own deeply held commitments?

I think that the long-term view of Chiquita's managements decision to pay-off the AUC can be compatible with the decision makers own deeply held commitments if the decision maker takes a narrow view approach to corporate responsibility or if they believe in the invisible hand theory and see their duty as strictly to make Chiquita profitable and nothing more. The decision can also been seen as compatible if management believed in the let-the-government-do-it argument since this position also " rejects the notion of broadening corporate responsibility just as firmly as the invisible hand argument does." (Shaw p. 167)

Robert Olsen, Chiquita's general council, maintained the position that " he had done nothing wrong and had tried to do the right thing in giving the company legal advice to help with the difficult situation" (Schotter p. 11)

Olsen's conviction that he believed in what had been done demonstrates

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that Chiquita's management decision was compatible with the decision makers deeply held commitments.

Further Chiquita's outside counsel, Laurence Urgenson, had told Olsen and Chiquita that the payments to the AUC were illegal and that they must stop, but Chiquita continued to make payments because failure to make payments would be endangering Chiquita employees. (Schotter p. 12) If the decision maker's were choosing to make the payments to the AUC for the sole reason of protecting their employees then I think this choice is clearly in-line with the deeply held commitment of protecting human life, especially the lives of your employees. However if the payments were being made for any reason beyond saving the lives of its employees then the choice to make the pay-off to AUC may not have been in line with the decision-makers deeply held commitments.

What other companies or industries should be worried about Chiquita's experience?

I think any other company looking to do business in politically unstable and violent parts of the world will run into similar issues that Chiquita did. In the late 1990's the blood diamond industry made the news; as Blood diamonds are mined in war zones, similar to the one where Chiquita was growing its bananas, and funds from the sales of blood diamonds go to fund insurgency and warlord activities. More recently we have heard about minerals in our electronic devices bank rolling unspeakable violence in the Congo (Gettleman). The struggle to choose between profits and moral responsibility continues. Chuck Mulloy, of chip manufacturer Intel, concedes that

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complying with the new regulations eats into profits (he won't estimate how much), but " we don't want to support people who are raping, pillaging, and killing. It's as simple as that." By the end of 2012 Intel's microprocessors were conflict free for tantalum (Gettleman).

This case on Blood Bananas displays to me that any company looking to do business with developing countries in volatile states needs to prepare in advance. Even companies that have a history in volatile regions need to consult political bodies for insight on business conditions along with the U. N and Ministry of Foreign Affairs. Further companies should consult with non-governmental organizations such as Human Rights Watch to make sure they know exactly what doing business in that part of the world entails and ask themselves: is it worth it? In the Blood Bananas case Olsen found himself in a situation where he had claimed that he did not know the true nature of the AUC until February of 2003 " when an in-house lawyer stumbled across their terrorist designation, and perhaps Olsen really did not know the nature of the AUC until then, but if Olsen had done proper due diligence and consulted with various resources he could have potentially avoided the bad press that came along with the conviction for paying funds to the AUC.

What can CEO Fernando Aguirre do to restore Chiquita's reputation and ensure future competitiveness?

Fernando Aguirre needs to broaden Chiquita's view of corporate responsibility and develop a corporate culture around this new broader view. Chiquita should continue with projects like Better Banana Project and look to protect the ecosystem, but these programs need to be more than guidelines

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that are ignored. Programs like Better Banana Project need to be taken seriously and the standards set need to be met by all levels of the organization. Chiquita should concern itself with more than the short-term profit margins and should take into consideration long-term sustainability. Conservation of soil and water coupled with planning and monitoring of banana cultivation can translate to long-term profitability and sustainability. Further recent studies have demonstrated that ethical companies can charge a premium on their products, this motivation for higher profit margins should help keep Chiquita ethical and they continue to grow. It will also give Chiquita the ability to advertise itself as an ethical company.

Core values surrounding the way workers should be treated should also be developed in order to restore Chiquita's reputation. Developing set labor standards, along with employee health and safety standards is a great first step. Once steps are put in place to improve the working conditions and a strategy for taking greater social responsibility has been adopted then Chiquita should market and brand themselves with this new image. The company will need to understand that change comes at a cost and they will need to ignore the pressure for short term returns and put faith in the belief that if they run a smart and socially respected company profits will eventually come back around.

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