



Ethics, Governance & Accountability Business Ethics Integrity ——Take San Lu company as an example

Mengxi Wei *

Yulin University, Shaanxi Province, 719000, China.

1. Introduction

1.1 Background

Ethical issue has been discussed in various circles; in addition, it is the most important thing in all fields. Whether in business or in other areas that ethic has been a remarkable topic.

Integrity is the core of business ethics. Enterprise should be integrity. The integrity is not to deceive consumers and do not violate social ethics. Essence of business is to provide goods and services to society and in order for consumers can have more smooth consumption as well as get convenient service. At the same time, on this basis, companies can have their own profit. Only when the company let consumers are satisfied with the product or service; in addition, the companies can get the benefit. Because of this mind, the integrity should be strengthened by enterprises.

This report chose San Lu melamine incident as a case for analysis. San Lu infant formula was contaminated by melamine, a stone Melaleuca up waves. Melamine incident is a typical case of corporate dishonesty to consumers, but also because the consequences are serious; this event is worth being analyzed. So it was chosen as a case of this report.

1.2 Objective

This paper is mainly to discuss the issue of integrity in business ethics, because integrity is the most important thing for great well focused. Simultaneously, integrity is the foundation of the enterprise.

I chose San Lu Company as a case to study. San Lu Company is a large enterprise groups which set dairy cows, dairy processing, research and development as one. It won the National Science and Technology Progress Award of China earlier. However, due to the illegal add melamine in milk, and resulting in serious consequences, finally, San Lu Company was bankruptcy. So I chose it. Here are the main objectives of my study:

- What is the definition of Ethics?
- What is the definition of Business Ethics?
- What is the meaning of integrity?
- Why is integrity important in business?
- Process of San Lu melamine incident
- Influences of San Lu melamine incident
- Suggest about this incident
- Exhortation of this incident

2. Literature Review

2.1 Definition of Ethic and Business Ethics

The definition of Ethic is concerned with right and wrong and how conduct should be judged to be good or bad.^[1] Ethics also is the rules of conduct recognized in certain limited department of human life (Oxford Dictionary)

Ethics is a thing which is human instinct; in addition, it also is something which in line with norms and standards of behavior acquired to develop. It constrains us in life and it is the bottom line of doing things. Ethics is inspiring guide.

Business ethics is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations^[2].

Adam Smith said, "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices"^[3].

Ethics is usually beyond the scope of the law; the government can make laws to restrict business, but ethics beyond government

Copyright © 2020 Mengxi Wei

doi: 10.18282/1-e.v9i4.1701

This is an open-access article distributed under the terms of the Creative Commons Attribution Non-Commercial License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits unrestricted non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

control and it also requires companies to have a corporate ethics to restrain them.

Business ethics means companies need to rely on public opinion, traditions and beliefs to maintain moral principles, ethics and moral activities which are evaluated by the good and evil.

Enterprise as cells of market, its immediate goal is to maximize profit, and as a member of society, enterprises in the pursuit of interests, they must make their own earnings process is also beneficial to social progress and people development, so companies must focus on corporate ethics. Strengthen corporate ethics will help companies improve the competitiveness of enterprises and controlled effectiveness of enterprises.

2.2 The meaning and importance of integrity

Integrity is the foundation of the enterprise and it is the most important thing in business. Integrity is not to deceive consumers and do not do anything contrary to social morality. Integrity is the best competition means of a variety of business activities, and it is the soul of the market economy. The basic meanings of integrity are compliance commitment, achieving the agreement and did not deceive.

Honesty is not only a character, but also a responsibility; not only a reputation, it is a resource. For personally, integrity is noble strength of character; for enterprises, honesty is a valuable intangible asset; and for society, honesty is the normal production and life order; as well as for country, honesty is a good international image.

Alexandre Dumas said when credit disappeared, the body does not have the life. At past, present and future, integrity is an important condition for the survival and development of enterprises. Especially in modern market which in the economic globalization. And along with the rise of information technology development and network economy, integrity has become a pass card for corporate expand exchanges, promote cooperation, and go to the international. The benefits of integrity and damages of bad faith are amplified by economic globalization. Good faith as the basis for business development is an important guarantee to support the brand. Have integrity, companies can get a huge brand value and lost credibility, the brand will perish.

Loss of integrity can cause very serious consequences. Lack of integrity enables enterprises to lose their customers forever. Lack of integrity brands will depreciate and even death. Lack of integrity will lead to lack of social needs. Lack of integrity will makes it difficult to play the role of government control.

3. Case study----San Lu Company

San Lu is a large company which set dairy cows, dairy processing, research and development as one. It won the National Science and Technology Progress Award of China earlier. However, due to the illegal add melamine in milk, and resulting in serious consequences, finally, San Lu Company was bankruptcy in 12/02/2009. In March 4, 2009, San Yuan groups used 6.1650 one hundred million yuan photograph San Lu assets successful.

3.1 Process of San Lu melamine incident

2008 Chinese milk contamination incident was a food safety incident. It was a major food safety incident, since the eating of San Lu infant milk powder produced, there were a large number of infants were found to have kidney stones, after an investigation found that due to the San Lu Group to add a lot of melamine in milk powder. According to published figures, as of September 21, 2008, due to the use of San Lu Company's infant formula and conducted counseling and treatment of young children have recovered a total of 39,965 people, there are 12,892 people are hospitalized, had been cured and discharged 1,579 people, and the death of 4 people. [4] Incident caused great concern and security concerns for dairy products. The following is a timeline of this incident:

March 2008, San Lu milk powder incident surfaced.

July 24, Hebei Entry-Exit Inspection and Quarantine Bureau Technology Center of San Lu Group produced 16 batches of baby milk powder series, and the results there are 15 batches detected melamine.

September 8, Gansu 14 babies while suffering from kidney stones disease, outside attention.

September 11, Gansu province found 59 cases of kidney stones in children; some children have developed kidney dysfunction, while one person has died.

September 11, San Lu Group Co., Ltd. factory seal is affixed.

September 21, hospitalized infants 10 thousand people, the official confirmed four cases of death in children^[5].

3.2 Influences of San Lu melamine incident

First, the health of numerous people were influenced.

According to the survey data show that about four million people health were affected, but there are four people deaths. More serious is that the victims were infants and children.

Second, Chinese consumers refuse to buy domestic milk.

After the event further escalation, the public confidence of Chinese dairy industry in network sampling analysis bottoming out. Many mainland people panic and many people did not dare to eat the mainland brand dairy products, foreign milk powder sales began to rise. In 2011, China Central Television, "Weekly Quality Report" survey found that 70 percent of Chinese people are still afraid to buy domestic milk.

Third, a major blow for China's dairy industry

China's dairy companies will face a nearly devastating blow. Related to this, China's dairy farmers, and the whole industry chain will face an icy winter. China's entire food manufacturing industry will pay a heavy price. Whether in international or domestic market, Chinese food industry will face huge economic losses and loss of reputation. China may need a very long time to restore credibility.

Fourth, China's reputation damaged.

With the development of San Lu milk powder incident, the World Health Organization, UNESCO and UNICEF on September 25, 2008 jointly issued a statement, expressed concern about the expansion of the crisis; hope that the Chinese government will implement tighter regulation for infant food in the future. The event also hit the credibility of Chinese manufactured goods; many countries banned imports of Chinese dairy products.^[6] At September 20, 2008, Japan's major food company Asahi Food Company represents the full recovery of the five kinds of buns and pastries because ingredients of these five products include Chinese milk. On September 11, 2008, the US Food and Drug Administration (FDA) warned, "Do not buy Chinese baby milk and do not eat". And send a warning to remind people not to buy Chinese dairy products online. After this incident, there are many countries issued a boycott of Chinese dairy products.

3.3 Suggest about this incident

The government needs to strengthen management.

Governments need to abolish the exemption system. Exemption system means that a product of a company won't be eligible for exemption, if the exemption is valid, all levels of government departments, production areas and circulation areas cannot have quality supervision and inspection for this product. But this law is used by a lot of companies to carry out illicit commercial activities. September 18, 2008 AQSIQ decided to exempt to be abolished. At the same time, governments need to formulate relevant laws for similar events and strengthen penalties as well as increase the cost of crime.

Make the post regulatory becomes ex ante control.

Gradually, let test move to the supervision of the production process from regulation to product testing and let it move from relies mainly on products shipped inspection to the raw material source, the daily supervision of changes in production processes. Food safety inspection should mainly on production processes and before into circulation market and it also should develop appropriate laws and regulations require companies to test every batch.

Establish closed food production logistics chain

Food production should become from now open and free logistics chain to the closure and control of the chain, from the planting, breeding began to acquire raw materials, semi-finished and processed until entire process of production should be strict access system.

Enterprises need to build business ethics, in order to improve their own level, to strengthen the competitiveness of enterprises. Enterprises have a moral responsibility for their own products to consumers.^[7]

3.4 Exhortation of this incident

Found that food safety issues, failed to timely report

San Lu incident investigation team believes that the municipal government of Shijiazhuang and San Lu company is no immediate "reporting", it is an important cause of harm magnified. However, in the reporting system, consumers are excluded from the reporting system. After the discovery of the issue of local government, they only need report to the higher levels of government. This system does not have position belong to citizens, all subject to the need of government and superiors, rather than the public and consumers. Therefore, such a reporting system is not perfect, citizens have no place in the country's food security, and there is no guarantee of food safety. So it is imperative to improve the reporting system.

Information opaque, failed to prevent harm to expand

In summary the San Lu incident, the information disclosed is mentioned most. From March 2008 to September half-year period, AQSIQ, the Ministry of Health, the Shijiazhuang city government and San Lu any party to disclose this information will avoid more damage. However, this information was concealed again until the situation cannot be controlled only have to disclose. Therefore, transparency of information is important; the government should learn a lesson from San Lu milk powder incident. For illegal activity, government should try to get the message early, early to take measures to stop, such San Lu incidents do not recur.

Multi-sector regulation, regardless of the everyone finally

Dairy milk production involving middlemen acquisition, dairy processing, wholesale, marketing and other aspects, they are supervised by a number of sectors such as agriculture, health, industry and commerce, quality inspection and so on. This causes entire production and sales chain cannot be full supervised by any one sector. In March 2009, the State Council set up the Food Safety Commission, the food safety comprehensive coordination responsibilities shall be borne by the health administrative department. But because milk production is related the agricultural sector and the manufacture of dairy products is linked quality inspection departments and so on made the regulatory issue is not resolved.

Food exemption cause regulatory gaps

Another lesson of San Lu incident is that the exemption system. Brand-name company's products can be exempted, there are a number of opportunities for San Lu milk emergence and spread provides, and even become the industry's "hidden rules". China newly established "Food Safety Law", requires that food safety supervision and management departments cannot implement the exemption for food. Quality supervision, industry and commerce administration, food and drug supervision and management departments should conduct regular or irregular have food sampling. But some questions are existence in the new sampling system may also lead to the effect of "Food Safety Law" discount. When government departments sampling, the sampling of the sample should be bought, and there are no inspection fees and other charges; however, the current financial resources do not support.

Testing standards for food additives too slow

Before the San Lu incident, quality inspection departments only detected heavy metals, drug residues, pesticide residues, microbiological, and some sort of possible bacterial in milk usually, melamine is not included. San Lu incident exposed the issues about the lack of testing standards. From September 14, 2008, detection object start included melamine, and it became

necessary for detecting project of dairy.Chen Zhu,Minister of Health department recommends,face to food safety issues,pre-emptive strategy should be used.And government must have a blacklist about additive to always spot,and have preventive of control source.

Protein detection method has loopholes

China use Kjeldahl method to detect protein in foods.It means through nitrogen content of the foods to calculate the protein content.Due to there are high nitrogen content in melamine,enterprises added it in milk to improve test results,in order to gain greater benefits for the enterprise.Now melamine was added in detects objects,but this is not the best approach,because there will be other additives which have high nitrogen content are added to the milk.The most fundamental way of solve this problem is to detect the real content of protein in milk.So only improved detection methods can really make dairy return to health.

4.Conclusion

This report described the two main sections;in addition,they are literature review and case study.

This paper was study about the importance of integrity in business in literature review.Integrity is a part of the ethics,as well as business ethics'core.Ethics is a thing which is human instinct;in addition,it also is something which in line with norms and standards of behavior acquired to develop.And the business ethics is an important part of ethics.Business ethics is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment.And integrity is the core of business good discussion.

Integrity is the foundation of the enterprise.Integrity is not to deceive consumers and do not do anything contrary to social morality.Integrity is the best competition means of a variety of business activities,and it is the soul of the market economy.

And in the part about case study,San Lu Company was selected by this paper.This report described the process and influence of the San Lu incident,after that,this paper gave some advices and summed up the lessons.The process of this incident,there was a timetable in this paper.The influence of the San Lu incident includes the heaths of numerous people were influenced;Chinese consumers refuse to buy domestic milk;a major blow for China's dairy industry and China's reputation damaged.And there were also some suggests about this incident,such as the government need to strengthen management and enterprises should strictly abide by national laws and conscientiously fulfill their moral responsibility.At the same time,there were also some exhortations of this incident;in addition,they are found that food safety issues,failed to timely report;Information opaque,failed to prevent harm to expand;multi-sector regulation,regardless of the everyone finally;food exemption cause regulatory gaps;testing standards for food additives too slow and protein detection method has loopholes.

San Lu"milk"incident in 2008 brought the lesson is profound,address the food quality and safety problems,it should be lessons learned from the various links,hold product quality,rather than wait for the people to pay the price in human lives and then to governance.

References

- [1].Daedalus.1999."Are We Professionals?A Critical Look at the Social Role of Bioethicists.".pp.253–274.
- [2]"Business Ethics(Stanford Encyclopedia of Philosophy)".Plato.stanford.edu.2008-04-16.Retrieved 2016-01-04.
- [3]Smith,A(1776/1952)An Inquiry Into the Nature and Causes of the Wealth of Nations.Chicago,IL:University of Chicago Press,p.55
- [4]"Toxic milk toll rockets in China".BBC News.15 September 2008.Archived from the original on 16 September 2008.Retrieved 5 January 2016
- [5]"China'fake milk'scandal deepens".NBC News.22 April 2004.Archived from the original on 21 September 2008.Retrieved 5 January 2016.
- [6]"Questions and Answers on melamine".World Health Organization.Archived from the original on 29 September 2008.Retrieved 5 January 2016.
- [7]Gail C.Furman,(2004)"The ethic of community",Journal of Educational Administration,Vol.42 Iss:2,pp.215–235